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ABSTRACT

USE OF FUNDS IN A NONPROFIT ORGANIZATION AS PREDICTOR  
OF ORGANIZATIONAL EFFECTIVENESS AND EFFICIENCY

by

Throstur B. Thordarson

Chair: Erich Baumgartner

## ABSTRACT OF GRADUATE STUDENT RESEARCH

Dissertation

Andrews University

School of Education

Title: USE OF FUNDS IN A NONPROFIT ORGANIZATION AS PREDICTOR  
OF ORGANIZATIONAL EFFECTIVENESS AND EFFICIENCY

Name of researcher: Throstur B. Thordarson

Name and degree of faculty chair: Erich Baumgartner, Ph.D.

Date completed: May 2014

### Purpose

The purpose of this study is to explore predictive relationships between how funds are used in a religious not-for-profit organization (NPO) and member recruitment. Financial data, from Seventh-day Adventist conferences at the organizational level, were correlated with data on membership recruitment from these same conferences.

### Method

This study used a linear time-series analysis where relationships between variables and past values were explored over a 12-year period. Financial data were collected from year-end audited statements and financial activity statements. Published statistical records were used to collect data on membership and member donations.

## Findings

This study concludes that Seventh-day Adventist conferences in the United States are for the most part not effective in fulfilling a primary goal in their stated mission. Cash management was not found to be a significant predictor, while both debt management and member support provide mixed results as predictors of member recruitment.

Furthermore, pastoral services demonstrated mixed results in predicting recruitment of new members, and funding of direct recruitment efforts had no predictive relationship to membership growth, indicating ineffectiveness of those efforts.

Organizational level funding of education was not found to be effective, but may be explained in that only insufficient data were available for the study, even though it is aggregated and stored at a national databank. Administrative efforts also provided mixed significance as a predictor of recruitment success, but it was found to be negatively related to recruitment.

## Recommendation

As NPOs are dependent on member support for their values and mission that can only be maintained with trust based on regular flow of information, I recommend that nonprofit organizations exercise greater transparency and provide researchers and the general public freer access to year-end financial reports, membership data, and other information that is related to the success of its mission. In addition, I recommend that nonprofit leaders and practitioners implement organizational changes that are based on effectiveness research which may provide robust results to their mission success.

Andrews University

School of Education

USE OF FUNDS IN A NONPROFIT ORGANIZATION AS PREDICTOR  
OF ORGANIZATIONAL EFFECTIVENESS AND EFFICIENCY

A Dissertation

Presented in Partial Fulfillment  
of the Requirements for the Degree  
Doctor of Philosophy

by

Throstur B. Thordarson

May 2014

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APPROVAL BY THE COMMITTEE:

---

Chair: Erich Baumgartner

---

Dean, School of Education  
James R. Jeffery

---

Member: Tevni Grajales

---

Member: Sylvia Gonzales

---

External: Stanley Patterson

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Date approved



Dedicated to my best friend and dear wife, Jonina.  
Without her support and encouragement,  
I would never have completed  
this study.

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## LIST OF ABBREVIATIONS

CSO	Civil Society Organization
CPI	Consumer Price Index
EPS	Earnings per Share
GC	General Conference of Seventh-day Adventists
GC-A	General Conference Archives
GCAS	General Conference Auditing Service
IRS	Internal Revenue Service
NAD	North American Division of Seventh-day Adventists
NGO	Non-Governmental Organization
NPO	Nonprofit Organization
ROA	Return on Assets
ROI	Return on Investment
SDA	Seventh-day Adventists
SPSS	Statistical Package for the Social Sciences
U.S.	United States

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## CHAPTER 1

### INTRODUCTION

The Nonprofit Organization (NPO) sector is one of the faster growing sectors of the American economy. In 1994 about 1 million NPOs in America contributed 6.5% towards the national income and employed 6.3% of the paid workforce. In addition, it is estimated that two thirds of all households have contributed to this sector, either through direct donations or volunteer labor (Gordon, Greenlee, & Nitterhouse, 1999). More recent figures (Roeger, Blackwood, & Pettijohn, 2011) show that by 2009 there were over 1.4 million NPOs registered with the IRS receiving over \$290 billion in donations. Twenty-six percent of the adult population volunteered through one of these organizations. Of these, more than 628,700 received in excess of \$25,000 in yearly revenues in 2009 and filed a return with the IRS.

Charities reported \$1.4 trillion in revenue and \$2.53 trillion in assets in 2009, illustrating well the scope of this field and the importance of NPO effectiveness studies to the U.S. economy. Yet three-fourths of all NPOs have less than \$500,000 in annual expenses and account for only 2% of charity spending. Four percent of NPOs report more than \$10 million in annual expenses, and this small group accounts for 85% of spending. Thus it is evident that there is great disparity in the NPO field. Many NPOs are either small or medium in size and could use greater understanding in how to be more effective.

## **Measuring Effectiveness**

With such a large segment of the economy involved, and numerous households contributing on a regular basis, it is imperative for NPOs to manage their operations well and demonstrate the effective use of their resources. But so far organizational effectiveness in NPOs has proven difficult to define, measure, and replicate (Eckerd & Moulton, 2011; Forbes, 1998; Lecy, Schmitz, & Swedlund, 2011; Ritchie & Kolodinsky, 2003; Sowa, Selden, & Sandfort, 2004). Multiple articles have been published in refereed journals highlighting the issues, but no consensus exists on how to define effectiveness, or how to measure it. Effectiveness remains of great importance because of the increasing role NPOs play in the U.S. economy, but it is still “one of the most problematic, contested and enigmatic concepts” (Dart, 2010, p. 204) in NPO research.

NPOs are not directly engaged in manufacturing nor focused on Wall Street investment, and they are not allowed to distribute financial gains to their primary stakeholders. In fact, there are no private owners of NPOs and their primary mission is frequently stated in nebulous terms. Overall their primary product is a changed life (Drucker, 1990, p. xiv), which is difficult to measure in quantitative terms, thus effectiveness measures are inherently challenging.

## **Religious Non-Profit Organizations**

Religious NPOs are unique for several reasons. First, membership is achieved through a formal intake process, such as baptism. Additionally, members tend to donate on a systematic and regular basis. Many religious NPOs are also fragmented into organizationally independent and smaller units, thus they do not show up on national lists of larger NPOs, but if aggregated, their numbers are relatively high.

While the roots of NPO legislation and operation were in the British colonial system (Hammack, 2002), a large portion of the early voluntary organizations were centered around religious practices, as churches, schools and libraries (Arnsberger, Ludlum, Riley, & Stanton, 2008). Modern, private foundations did not begin to sprout until the end of the 19<sup>th</sup> century. Many modern religious organizations have been in existence for well over a century, and thus one could say that religious organizations have a unique standing as NPOs and are a prime candidate for a study of organizational effectiveness.

The Seventh-day Adventist (SDA) church is one of the fastest growing (MacDonald, 2011) NPOs in the religion category of the Internal Revenue Service (IRS) classification. The SDA church began as a small movement that was organized on May 21, 1863, with 3,500 members in 125 churches (Seventh-day Adventist, 2012a). Today this denomination comprises over 17 million members worldwide in 74,299 churches, with membership in 209 countries, over \$3.2 billion in total yearly revenues, and an active outreach and recruitment program (Seventh-day Adventist, 2012b). As a rapidly growing religious NPO, they are a logical choice and a qualified candidate for exploring the effectiveness of NPO operations.

The SDA church in North America is organized into four levels of administration. The local church is not independent, but belongs to a geographical unit that frequently corresponds with state boundaries. These geographical units are called conferences, with 50 such units in the United States (U.S.). Conferences are then further grouped together in eight entities called unions. These eight unions join to form the North American Division of the General Conference of Seventh-day Adventists, the world governing body

of the church.

The SDA church in North America includes a total of 1,142,039 members, according to the official report from the end of year 2011 (Office of Archives Statistics and Research, 2013). These members donate regularly on a weekly or monthly basis a total of over \$654 million each year. This does not include offerings made to the local congregation which can be another 3% of the above total, or another \$20 million. These are substantial figures that reflect member support of organization and its mission.

### The Mission of Non-Profit Organizations

An organization typically comes into existence for a purpose. For this reason many organizations have a mission statement where its purpose, values, and priorities are clearly stated. Abrahams (1995) points out that a mission statement is to serve as a blueprint for the organization. This holds true for NPOs, like any other organization. In fact, the government requires NPOs to file a stated mission and purpose with the IRS on Form 990 when applying for non-profit status.

In order to be recognized as an NPO, the government requires the organization to submit evidence that they are not working for a profit and that they have a definable mission. Peter Drucker (1990) has stated that a clearly worded mission statement is one of the most important functions of the NPO leader. If the purpose of the NPO is not stated well, it is difficult to define and measure effectiveness of that NPO. While a for-profit venture might function without a clearly defined mission due to its bottom-line financial goals, an NPO cannot succeed without a clearly stated mission.

Mintzberg (1983) described the structure of religious organizations in terms of a “Missionary” which he felt was different from the highly bureaucratic structure of a

manufacturing, or the professional bureaucracy of a university. In a missionary structure the mission of the organization is of greatest importance. Mintzberg underlines that the mission of such an organization must have three criteria: (a) be “clear and focused,” (b) have a “distinctive purpose,” and (c) be “attractive or inspiring.” Such a mission drives the organization and has an even greater impact than a leader as the “power rests in ideology, not authority, in beliefs, not offices” (Mintzberg, 1983, p. 371).

In spite of these expectations and legal requirements, in reality an NPO’s mission is not always defined or communicated clearly. Thomson (2010) reports that an earlier study showed that only 49% of the surveyed NPOs had a measurable mission, and of those with a stated mission only 14% had focused outcomes. A later survey of 900 NPOs showed that while most do some reporting, a majority of those reports focused on program outputs, and not organizational outcomes. Even these numbers must be used with caution as a majority of the NPOs that do some reporting, do not use standardized reporting. Thus the results are problematic for comparison purposes.

### Effectiveness and Financial Resources

While the NPO mission is central to the organization’s existence, this mission cannot be accomplished without financial input and resources. Thus it is reasonable to include finances when looking at NPO effectiveness. A natural tension exists between the two, as the NPO management team tries to balance financial measures with mission accomplishment (Chetkovich & Frumkin, 2003; Dart, 2004). This is one reason why for-profit management practices have so often been applied to NPO management.

Applying for-profit management practices and measures to an NPO is not as straightforward as might seem at first. One reason that complicates effectiveness

practices in an NPO is the way NPOs are formally defined. While a business organization is defined as a “for-profit” enterprise, where the focus is on making a profit, a nonprofit is defined by what it is not. That is, it is not designed to make a profit for its stakeholders. The NPO effectiveness literature comes out of the organizational effectiveness literature but has become fragmented without a shared definition (Lecy et al., 2011).

While consensus is lacking on an effectiveness definition, researchers have tried to bring a consensus to the criteria to be used for measuring effectiveness (Forbes, 1998). Dart (2010) acknowledges this by stating that “effectiveness can be defined in many manners.” While he does not present a specific definition, he states that it must be centered on its purpose for existence. This lack of definition in the literature is part of the fundamental problem that needs to be resolved in order to find consistent effectiveness measures. It would be beneficial to work towards a common definition of effectiveness, to state various categories of NPOs, and then to identify criteria for effectiveness for each type of NPO.

Furthermore, the basic definition of NPOs in contrast with for-profit organizations in terms of profitability has placed fundamental restrictions on NPO effectiveness research. While it is true that NPOs cannot distribute profit to its stakeholders, it is not true that NPOs cannot turn a profit. NPOs have been divided into numerous sectors by the IRS, each with their own goals and purposes. While this classification is recognized, and problems with comparison are acknowledged, researchers and practitioners alike continue to lump all NPOs together in one group.

#### Statement of the Problem

Many NPOs, like the SDA church, receive large amounts of donations from

members and supporters that are distributed to various programs and ministries with the intent of advancing the organizational core mission. How well an NPO succeeds is a question that has not been answered effectively. The need for answers is becoming more imperative as members are expecting increasing transparency in decision making, along with greater effectiveness in the use of donated funds. While an NPO has no designated owners, and can thus be considered a public organization, it is not required to report pertinent data to the public like a publicly traded company is.

Secondly, with increased financial constraints due to the recent economic downturn, members want to make sure that their organization uses the funds effectively and in harmony with the stated mission. Over the last few years I have heard a gradual and consistent increase of questions regarding the use of funds in the SDA church. Members are questioning how their donations are being used. The focus of this study is the relationship between use of funds and organizational effectiveness in Seventh-day Adventist conferences in the United States of America.

### Purpose of Study

The purpose of this study is to explore the predictive relationships between how funds are used in a religious NPO and member recruitment. A definition for NPO effectiveness will be stated and financial data from conference units will be correlated with data about membership recruitment with these same conferences, using a time-series analysis over a period of 12 years.

### Research Questions

In search of an effectiveness measure for religious NPOs this study pursued seven research questions based on the work of Abraham (2006) that center around finances in

relation to organizational goals. Seven models were explored in correlation with numerical membership increase and with percentage membership increase. The cash flow model looks at the predictive relationship of key cash flow variables to membership increase; the debt service model does the same with the use of variables that reflect organizational debt; while the member donation model relates member donation variables with the same mission goals.

Four effectiveness models were tested. Three variables that reflect pastoral ministry, education, and administration were taken from different financial statements, or presented as a ratio, and then correlated with increases in membership. A fourth variable, evangelism, or funds used directly for recruiting new members was also used in one of the models. Following are the seven research questions that were pursued in this study:

1. Does a cash flow model of conference operations, including variables on liquidity, working capital, and self-support, predict effective member recruitment?
2. Does a debt service model of conference operations, including variables on debt for plant development, total liabilities, and average debt per member, predict effective member recruitment?
3. Does a member donation model of conference operations, including variables on total tithe, average tithe per member, and tithe as ratio of net worth, predict effective member recruitment?
4. Does an organizational effectiveness model of conference operations, including variables on church ministry, education, and administration, from yearly audit statements predict effective member recruitment?
5. Does an organizational effectiveness model of conference operations,



including variables on church ministry, evangelism, education, and administration, from yearly financial activity statement predict effective member recruitment?

6. Does an organizational effectiveness model of conference operations, including variables on church ministry, education, and administration, as a ratio of tithe donations, predict effective member recruitment?

7. Does an organizational effectiveness model of conference operations, including variables on church ministry, education, and administration, as a ratio of recruitment, predict effective member recruitment?

### Rationale for Study

The field of NPO effectiveness is fragmented (Lecy et al., 2011) and has failed to present a practical way to measure NPO effectiveness. It is lacking a unified definition as well as practical empirical studies that provide NPO managers with some basic tools to make decisions regarding performance effectiveness. My study focused on a religious NPO, part of a larger segment of NPOs, and will contribute by providing an empirical study on the use of effectiveness measures that looks at the relationship between use of funds and mission effectiveness.

Having personally served on the executive board of multiple NPOs, both in Europe and here in the U.S., I have observed firsthand how many board members do not understand the basic principles of governance or how to steer an NPO with its primary mission and purpose in mind. Many decisions were made based on individual desires and preferences rather than based on principles and purposes of the organization and its primary mission. Hidden agendas and personal preferences were frequently displayed at board meetings that I attended. Fund utilization was at times determined by the special

interests of individual board members, or by a desire to maintain the status quo rather than by the organizational mission, theoretical knowledge and empirical data.

Outside the executive board we often find various interest groups that call for more money to be spent on their favorite programs. Church planters and ministry experts call for greater investment in ministerial workforce and member recruitment, while educators claim that education is the work of the church and that more money should be invested there. With the recent slowdown in the economy and donors having to weigh carefully where they place their donations, and with the increased transparency experienced through internet and peer-to-peer conversations, donors are demanding greater accountability from their leaders. Thus it is important to look for empirical data that can demonstrate if and how the use of funds impacts the organizational effectiveness of religious NPOs.

From the biblical record we learn that God is a god of order and forethought, one who prepares His work and lays it out in an orderly fashion. It is wise for employees and leaders of an organization that claims to work on His behalf to follow a pattern of transparency and systematic accountability and seek empirical data that may help in such an endeavor (Lall & Lall, 1979).

The Bible also admonishes God's people to do all to His glory (1 Cor 10:31) rather than follow personal interests, and to seek humbly to serve rather than to be served (John 13:14-17; Phil 2:5-10). In addition, the Bible teaches that all things belong to God and humans are simply stewards of His property (Col 1:16, 17; Matt 25:14-30; 1 Cor 4:1, 2). Thus it is imperative for religious leaders to actively seek for the most effective way to use funds given to the NPO for the furtherance of its mission.

Calling on SDA leaders to perform at a higher level of excellence than the norm in corporate governance, two SDA scholars advocated that “the planning process and the plans themselves should be better than those of for-profit organizations (Lall & Lall, 1979, p. 77). To support their argument they quoted one of the founders of the SDA movement, Ellen G. White (1941), stating:

The Lord desires His people to reach the highest round of the ladder that they may glorify Him by possessing the ability He is willing to bestow. Through the grace of God every provision has been made for us to reveal that we act upon better plans than those upon which the world acts. We are to show superiority in intellect, in understanding, in skill and in knowledge, because we believe in God and in His power to work upon human hearts. (p. 358)

### Significance of Study

Because very little has been written about the performance effectiveness of religious NPOs, the findings of this study will be of great value to leaders and decision makers of religious NPOs. SDA conference leaders in particular will find information that may provide insight into how to appropriate available resources and how their decisions impact mission effectiveness. Executive board members may have greater understanding on the importance their actions have on effectiveness and provide reason to reflect on their actions and need for change. Regular church members will also benefit from this study in that it gives them empirical data to present in their request for greater effectiveness and transparency from NPO leaders.

With relatively few empirical studies being published on NPO effectiveness, and an increased frequency of recommendation, for more empirical research (Forbes, 1998; Hoefer, 2000; Leczy et al., 2011), this study attempts to contribute to the general body of literature on NPO effectiveness and move the effectiveness studies a bit closer to an understanding of the forces that impact NPO effectiveness.

### **Basic Assumptions**

This study assumes that the financial statements stored at the General Conference (GC) archives are accurate in that they represent an audited report of conference financial activities.

Secondly, it is assumed that financial accounting in the various SDA conferences in North America follows uniform guidelines of fund accounting as established by the North American Division in 1991. Available records are thus uniform and ideal for comparison over a defined time period.

Finally, it is assumed that local church clerks follow a prescribed process in the recording of membership records, sending them on to their respective conferences, thus providing an accurate record of actual membership data.

### **Delimitations**

This study is delimited to Seventh-day Adventist conference entities in the U.S. These conferences have financial records that are stored in organizational archives in Washington, D.C., and are available from the respective conference treasurer offices. Additionally, financial data are delimited to audited year-end summary statements, year-end financial activity statements, and NAD F50 summary statements, that all provide financial data at the organizational level. Data on membership and overall giving are stored at NAD Secretariats office. These records are assumed to be an accurate statement of membership, recruitment, and giving.

### **Definition of Terms**

**Audit Statement:** An independent “in-depth inspection that is made in

accordance with generally accepted auditing standards,” by an outside agent (Horngren, Sundem, & Selto, 1993, p. 642).

**Baptism:** Reference to the practice of briefly submerging a new believer in a pool of water as a symbol of his/her acceptance of the death and resurrection of Jesus Christ on their behalf (General Conference of Seventh-day Adventist, 2010, pp. 44-50).

**Cash:** Includes cash in the bank, money on hand, as well as short-term investments that “can easily be converted into cash” on short notice (Horngren et al., 1993, p. 669).

**Cash Flow Model:** Model of NPO effectiveness that uses three cash flow variables: liquidity, working capital, and self-support.

**Debt:** Money borrowed from a third party, to be paid back either short term, within a year, or long term, beyond a one-year term (Horngren et al., 1993, p. 673).

**Debt Service Model:** Model of NPO effectiveness that uses three debt variables: debt for plant development, total liabilities, and average debt per member.

**Effectiveness of an NPO:** Not uniformly defined in the literature. In fact, some have suggested that effectiveness is a “social construct” that depends on the individuals involved as to how it is defined (Herman & Renz, 1997). This study will use a definition based on the work of Herman and Renz (2008) and Dart (2010) with effectiveness defined as the level of desired effect, in comparison with a level of actual effect produced in a similar entity or time frame.

**Evangelism:** Church activities focused on recruiting new believers to the faith and into church membership (The General Conference of Seventh-day Adventist, 2009, pp. 117,118).

**Financial Activity Statement:** A reporting statement of income and expense activities for each separate program and supporting services, for a given year (Hay & Wilson, 1992, pp. 709,741).

**General Conference:** The organizational entity of Seventh-day Adventists that encompasses the world movement (General Conference of Seventh-day Adventist, 2010, pp. 29,30). It is headquartered in Silver Spring, Maryland, and is organized into 13 regional divisions. The North American Division is one of its divisions, and includes 8 unions overseeing the work and ministry of 50 conferences in the U.S.

**Member Donation Model:** Model of NPO effectiveness that uses three variables measuring member support: total tithe, average tithe per members, and tithe as ratio of net worth.

**Member Recruitment:** Sum total of new members joining through baptism and profession of faith.

**Mission statement:** “An enduring statement of purpose for an organization that identifies the scope of its operations in product and market terms, and reflects its values and priorities” (Abrahams, 1995, p. 38).

**NPO or nonprofit organization:** An organizational entity whose main purpose is changed lives rather than profit for stakeholders, and receives designated tax exemption by the IRS.

**Organizational Effectiveness Model:** Variables relating to the application of financial resources used to measure effectiveness (Abraham, 2006). Variables are taken from either audit statements or financial activity statements and used to measure effectiveness of NPO operations.

**Output:** Programs and services offered by an NPO (Lynch-Cerullo & Cooney, 2011).

**Outcome:** Changes in society and in participants as a result of activities and services offered by an NPO (Lynch-Cerullo & Cooney, 2011).

**Performance effectiveness:** Synonymous with effectiveness (Baruch & Ramalho, 2006).

**Profession of Faith:** An alternative method of becoming a church member for those who have been baptized by immersion at a previous time and with a different denomination (General Conference of Seventh-day Adventist, 2010, p. 51).

**The Seventh-day Adventist church:** A worldwide NPO religious movement of a people who believe that the God-man Jesus Christ is about to return visibly in glory and power very soon, and have chosen to accept the Holy Bible as the complete and full authority in all matters of faith (General Conference of Seventh-day Adventist, 2010). Based on that authority, and their love for Jesus Christ, they choose to set aside the seventh day each week for a day of rest and worship. The SDA church was organized in 1863 and has now grown to about 17.4 million members worldwide and 1.14 million adult members here in the U.S. (Office of Archives Statistics and Research, 2013).

**Tithe:** Taught by SDA church as being one tenth of a personal income that belongs to God and is to be returned to Him through church-sanctioned channels and is used for ministry. Offerings are considered above and beyond tithe (General Conference of Seventh-day Adventist, 2010, pp. 130-133).

## **Summary**

Chapter 1 has attempted to demonstrate a need to produce empirical studies that

may provide understanding as to how NPO effectiveness may be measured. This is particularly important considering the role NPOs play in today's society. This is also true for religious organizations. Chapter 2 will provide an overview of pertinent literature and demonstrate the need for an empirical study of NPO effectiveness through correlation of funds and mission. Chapter 3 will present the methodology applied for this study, before looking at the results from this study in Chapter 4. Finally, Chapter 5 will provide an overview of this study as well as discuss the implications from its findings, followed by some recommendations that come from the findings.

The intent of this study is to provide NPO leaders, and SDA leaders in particular, a practical way to measure performance effectiveness. Empirical data are analyzed in order to gain insight into how use of funds can strengthen the mission of the organization and its effectiveness. By applying the findings of this study, leaders may be able to make more informed decisions that lead to greater effectiveness of their respective organization.



## CHAPTER 2

### REVIEW OF LITERATURE

#### **Introduction**

This review critically examines the literature that is relevant to the research questions and to the construct under consideration. Databases used for this literature search were SAGE Publications, Article Finder, PsychInfo, and Google Scholar. Articles were located through three types of searches. First, key words and phrases were searched through databases; then references in articles read were searched for relevant references. Finally, as key articles were identified, their citation index network was searched for further articles and more recent publications relevant to this study. Additional searches were done by directly searching three primary journals on NPOs: *Nonprofit Management and Leadership*, *Nonprofit Voluntary Sector Quarterly*, and *Voluntas*.

As a foundation for understanding NPO effectiveness, this chapter begins by reviewing primary concepts in organizational effectiveness, before looking at NPOs and their classification. Major theoretical approaches are evaluated and problems with NPO effectiveness measures are discussed and a definition for NPO effectiveness is presented. The literature review concludes by looking at the SDA church as an NPO.

#### **Organizational Effectiveness**

NPO effectiveness literature is rooted in the general organizational effectiveness research (Lecy et al., 2011). Conceptual questions regarding business effectiveness were

raised in the 1950s and 1960s when efforts were made to understand organizations.

Articles were published in the 1960s and 1970s, with various synonyms being used such as performance, efficiency, and success (Aubry & Hobbs, 2011).

Early on researchers were confronted with difficulties that seem to have been rooted in definitions. For even though performance and effectiveness were “unquestionably assumed,” it was not uniformly defined (Richard, Devinney, Yip, & Johnson, 2009). A restrictive view of effectiveness focused on accounting, financial measures, and stock performance as key variables. The most popular measures for business effectiveness were and still are (a) profitability and (b) stock market performance (Forbes, 1998). Other measures included return on investment (ROI), return on assets (ROA), and earnings per share (EPS). Today, researchers are taking a broader view to effectiveness that also takes into account alternative goals, such as impact on environment, fulfillment of business model, and greater good of society.

Business ventures have three common features that impact their effectiveness measures: (a) ownership is critical and clearly defined; (b) homogeneity of measure and owner interest; and (c) bottom-line finances act as a “common currency” for evaluation (Speckbacher, 2003). NPOs, on the other hand: (a) serve multiple stakeholders that may not all have the same agenda; (b) are heterogeneous in operations, measure, and without clear ownership; and (c) have a defined mission to change lives, rather than a financial measure.

### **Defining Not For Profit**

Researchers and theorists have not agreed upon a universal definition of NPOs or the difference between them and a for-profit venture. An anecdotal difference between

the two is that NPOs do not make a profit while business and commercial ventures do. This is not quite true, as an NPO can make a profit. A better distinction between the two is that an NPO is not allowed to distribute its profit to private stakeholders or individuals (Morris, 2000). This is not just a scholarly restriction, but also a legal restriction on NPO operations. Thus streams of revenue in an NPO must be directed back to operations or mission of the NPO, while a for-profit business can direct streams of revenue directly to its major stakeholders.

Two additional differences between for-profit and not-for-profit organizations relevant to this study have been highlighted (Benita & Burcu, 2008). First, streams of revenue in a for-profit organization come from sales of either goods or services, where it receives income from its customers who purchase a product or service. If a business does not hold up to expectations, customers tend to go elsewhere to get the same product or service.

The nonprofit organization is not limited to income from their customers, rather, third-party individuals frequently donate funds so that others can be served. In fact, the income for an NPO generally comes from three different sources: (a) dues, fees, and services, (b) private donations, and (c) government and contract grants (Wiener, Kirsch, & McCormack, 2002). There is not always a direct link between service provided and streams of income. Thus customer or client use of service or products may not reflect their satisfaction with the service or product. It is reasonable to conclude that this lack of connection between income and service may be a contributing factor to the difficulty in demonstrating NPO effectiveness.

A second major difference between NPOs and for-profit ventures is the goal of

the organization. While the for-profit organization offers products and services as a means to raise money, the nonprofit organization raises money as a means to provide service. The goal of the for-profit organization is thus fundamentally to make a profit and earn money, but the nonprofit has a more complicated goal, which is not always defined in measurable terms. The funds raised are necessary in order to reach the stated goal, but the goal is not necessarily related to money. Rather than to make money, the NPO has a higher reason for its existence, the transformation of people (Drucker, 1990; Packard, 2010).

To complicate matters in defining effectiveness, each NPO may have a different goal, but all need funding as a means to reach their goal. Since money is involved, early effectiveness literature tried to use money as a measure. When that was not successful, others proposed increasingly more complex measures, to the same effect.

Not all NPOs are the same. Different types of NPOs call for a separate and distinctive measure (Benita & Burcu, 2008). Their purpose, size, funding, operation, and legal status may differ and operational definitions vary (Morris, 2000). Similar and dissimilar NPOs may or may not use similar measures, thus it is important to establish measures that are simple, applicable, and consistent, at least within a specific group of NPOs, before more complex ratios and measurements are put into practice.

### **Not-for-Profit Organization**

An NPO is created specifically for a humanitarian or social purpose (Costa, Ramus, & Andreanus, 2011) and its goal is to result in changed human life (Drucker, 1990). By definition it is not primarily focused on financial profit, yet profitability is important for a long-term going concern. The government provides a framework within

which an NPO can work. Because it fulfills a societal need that the government cannot serve, and because it is not primarily concerned with profitability, various incentives and tax breaks are given to NPOs in order to help their operations.

As stated earlier, NPOs are defined primarily as what they are not in contrast with for-profit business ventures that are focused on making money. This type of definition has a major shortcoming when it comes to NPO effectiveness. Let me illustrate this with an example from the farm. On a typical farm one may find various domesticated animals such as a cow, a horse, a pig, a sheep, a goat, and probably a dog and a cat. Each one is distinct and separate in its behavior, its physiology, and in its purpose on the farm. A farmer is well acquainted with his animals and knows them well. Yet he would never define them all with only two simple categories as for example: sheep and not sheep.

Even a dairy farmer would not define all his animals as one of two categories: dairy producing and not dairy producing. Yet this is precisely what the NPO industry is doing. All NPOs are lumped together and defined as “not making a profit” even while some of them are in fact making a profit while serving a higher cause. This is like a dairy farmer calling his horse, pig, goat, and sheep as “not dairy producers.” It is true that a sheep is not a dairy-producing cow, but a definition based on such a single common factor is painfully deficient. The same applies to NPOs. While all NPOs have a common factor in that they are not allowed to distribute wealth to their major stakeholders, they are far from identical in scope, mission, operations, and effectiveness. This simple farm illustration highlights the inadequacy of the general practice of defining all NPOs as organizations in the same way.

## **Classification of Not-for-Profit Organizations**

A number of researchers have recognized this and classified NPOs either directly or indirectly. Wiener et al. (2002) divided NPOs into eight subsectors. Costa et al. (2011) chose to analyze centers for services for voluntary organizations, while Benita and Burcu (2008) chose to focus on humanitarian relief agencies. It is reasonable to expect that NPOs will differ in operation, and researchers should segment them into clearly defined categories and focus effectiveness research on a particular segment.

Others have defined NPOs based on arguments presented in the literature such as: (a) not a government charity, (b) does not distribute assets to stakeholders, (c) are self-governing, (d) use volunteers, and (e) their primary purpose is focused on human change (Campos, Andion, Serva, Rossetto, & Assumpfao, 2011). Eckerd and Moulten (2011) recognize that NPOs represent multiple purposes and that it may be a disservice to NPOs to classify them all as one segment. They suggest that NPOs should be classified in divergent groups and that different effectiveness measures should be used for each group.

It is reasonable to begin with the assumption that NPOs are not all the same and do not all have the same measurements when it comes to effectiveness. Frequently researchers lump them together into a single category (R. D. Herman & Renz, 1999) even when they recognize the great variety of NPOs in that very same paragraph. Tinkelman and Donabedian (2007) suggest that different NPOs value their outputs and outcomes differently.

Even the government has classified NPOs into categories and requires organizational founders to specify clearly the type of organization that is being incorporated. At its most fundamental legal status, an organization that wants to be

recognized as an NPO must submit a completed IRS Form 1023 “Application for Recognition of Exemption” under Section 501(c)(3) of the Internal Revenue Code. Part III, Section 1, of this form requires the applicant to state the organization’s exempt purpose and lists four available categories: charitable, religious, educational, and scientific purposes. Section 2 further reminds the applicant that upon dissolution of said organization any remaining assets must be distributed to such an exempt organization and cannot be distributed to individual stakeholders.

Part X of the same form attempts to separate private foundations from public charities. This separation should also be included as a designation for effectiveness measurements in NPO literature. Public charities are then separated into three main areas: (a) churches and convents, (b) schools, and (c) hospitals, with further possible categorization, such as: public safety; higher education; or public funding.

Once a system for segmenting NPOs has been defined, we can begin evaluating primary models of effectiveness within each category. While organizational size may have an impact, just as in the business world, we should begin to see a consensus building on effectiveness. One classification suggested is to divide the NPOs into categories based on their roles as: service provision, social capital, innovation, citizenship, political advocacy, and value expression. An important distinction exists also between charities and foundations, such that not all NPOs can be classified as a charity (Moxham, 2009). The IRS-designated classification may provide the foundation of a useful classification that might look as follows: (a) private foundation; (b) medical research; (c) education support; (d) homes for elderly, handicapped, or low-income housing; (e) political advocacy; (f) public charities; (g) religion or convent; (h) elementary and secondary

education; (i) higher education; (j) hospitals and medical institutions; (k) public safety; (l) social and community services.

A clear classification could be foundational in advancing research in NPO effectiveness. While Monsma (2006) focused his study on the program level, his data support specialization where different types of NPOs produce different types of outcomes. Thus it is reasonable to conclude that a classification of NPOs may provide support for effectiveness measures. I have focused my research on one NPO section, namely a religious organization, and more specifically on SDA conferences in the U.S., part of a Protestant denomination.

Two potential problems have been raised with such a classification. One, classification of NPOs assumes that NPOs have a clear understanding of their type of evaluation based on their “strategic role.” Secondly, an assumption exists that external agents are not interested in evaluation (Eckerd & Moulton, 2011). A classification based on a federal regulation that requires an NPO to state from the very beginning what its primary purpose is may alleviate the above criticism. With purposes clearly stated, and a classification in place that brings similar NPOs together in categories, we should be able to assume that a certain effectiveness measure is applicable.

### **NPO Effectiveness**

Reflecting the fractured literature of the for-profit effectiveness it comes from, NPO effectiveness literature is also fragmented, lacking consensus and clear direction (Baruch & Ramalho, 2006; Forbes, 1998; R. D. Herman & Renz, 1999; Lecy et al., 2011; Ritchie & Kolodinsky, 2003). Even basic terms are not uniformly used. Some researchers use the term non-governmental organization (NGO) or civil society organization (CSO)



in place of NPO. Effectiveness, performance, and accountability are among the terms that are used interchangeably, sometimes with different meanings. Key definitions are not agreed upon and the literature is lacking empirical studies, while theoretical suggestions abound (Lecy et al., 2011). A majority of published articles have focused on the conceptual side, in an attempt to create a theory of effectiveness. Thus we currently have multiple theories on NPO performance, but very few empirical articles to test those theories (Brown, 2005; Lecy et al., 2011; Ritchie & Kolodinsky, 2003), or that attempt to show how effectiveness can be measured.

With rather ambiguous goals, complex organizations, and a variety of definitions, researchers have not agreed upon a single definition of effectiveness in a nonprofit. Neither have they identified a single unified measure (Brown, 2005). Herman and Renz (1997) try to resolve this by suggesting that instead of a single measure, we need to think of NPO effectiveness as socially constructed by the individuals involved.

In spite of these problems, much progress has been made. Two key articles provide an overview of NPO effectiveness literature. Forbes (1998) published a summary of the NPO effectiveness literature from 1977 to 1997. Lecy et al. (2011) published a study that covers more recent research. They uncovered three major trends in the NPO effectiveness literature of the last 10 years. The first trend is that most scholars conclude that unidimensional measures are not effective; secondly, that empirical studies are relatively rare; and finally that little agreement exists on how to “operationalize effectiveness.”

This state of the field should be of critical concern to both researchers and practitioners because NPOs make up such a large part of the current economy. With 6.5%

of finances and 6.3% of the workforce (Gordon et al., 1999), it is important to look for ways to define effectiveness in practical terms that can be implemented and be of use to NPO managers and leaders.

Some approaches to NPO organizational effectiveness measures in the literature are (a) goal attainment or single goal approach, (b) systems resource approach, (c) multi-dimensional approach, and (d) competing values approach (Lecy et al., 2011). These varied theories have been developed because of difficulty in measuring effectiveness. Selden and Sowa (2004) suggest that due to the variability of NPO organizations, it may be appropriate to use different measures for assessing effectiveness.

#### Goal Attainment

A single goal approach, like the label indicates, takes a single measure or ratio that is linked to the core purpose of the organization and compares that with either another time period of the same organization, or a similar organization during the same time period. It is important to identify the organizational goal in order to measure effectiveness based on goal attainment (Price, 1972). One can say that effectiveness is a factor of the degree that the organization reaches its goals. For a business venture, financial success is a clear goal that can be used to measure basic effectiveness. ROI, ROA, and EPS are common ways to measure effectiveness in for-profit ventures based on financial success based on the goal attainment approach.

The goal attainment approach defined organizational effectiveness in terms of the level of attainment of key organizational goals of the NPO (Forbes, 1998; Lecy et al., 2011). This is perhaps the simplest definition of effectiveness and is a reflection of general organizational effectiveness measured by profit.

The goal approach has been rejected by some researchers as being flawed because of its inherent limitations (Baruch & Ramalho, 2006). Herman and Renz (2004) summarize the arguments against goal theory with four points: (a) that only real people have goals; (b) that stated goals are not specific enough; (c) that goals are not prioritized; and (d) that important goals are excluded. These arguments can be addressed in two parts. First, we should not be arguing about semantics when it comes to goals. While it is true that an organization does not think and act on its own cognizance, it is assumed that leaders and managers set goals and act in harmony with the stated purpose and mission. The latter three arguments all deal with goals, and in themselves negate the first argument. Even though NPOs may frequently fall short in defining their goals, researchers are not required to abandon goals as a measure for research purposes. Theory can lead the way to find solutions for organizational effectiveness.

If an NPO has defined a major goal, then secondary goals should be tied to the major goal. If an NPO is found to have multiple and inconsistent goals, then it should be assumed that the organization is dealing with managerial issues that may affect the overall effectiveness of the organization. Comparable NPOs should be able to provide benchmarking data for comparison and to guide in the correction of managerial challenges.

### Systems Resource Approach

As goal attainment failed to deliver the intended results, a second and different measure of effectiveness was developed. The systems resource approach used quantitative data, like goal attainment, but focused on how well the NPO was able to use community resources to support their operations. The systems resource approach was

developed in response to the lack of clarity in the goal attainment approach, and to answer critics who claimed that a focus on profits was not adequate to measure effectiveness (Forbes, 1998). It takes a larger view of the organization in its context of scarce resources and assumes that effectiveness is a ratio of its success in competing for scarce resources available.

For a systems resource approach, effectiveness was defined as “viability or survival” (Forbes, 1998). Focus was placed on how well an organization could exploit resources available. The focus of measurement was based on financial statements. Primary criticisms of this approach include problems with measure, relative value of resources, and volume.

As the above two approaches did not produce a consistent measure of organizational effectiveness, some scholars tried to merge various aspects of effectiveness into a comprehensive approach. Selden and Sowa (2004) suggest that one should include both management and program performance, as well as processes, structures, and outcomes.

### Multidimensional Approach

When neither of these effectiveness approaches provided substantial results, the researchers suggested that there was no universal effectiveness measure for NPOs and that it would be better to focus on the development of a framework of effectiveness (Forbes, 1998). Among items suggested for a general framework for effectiveness were organizational focus and structure and their means and ends. Here the emphasis is placed on incorporating features from various models and approaches (Lecy et al., 2011).

The intent was to reflect and recognize the complexity of NPOs and the ambiguity

that appeared to be inherent in measuring their effectiveness. But a multidimensional approach has a tendency to become rather complex and has not been more successful than other approaches in producing a uniform effectiveness measure. Out of this dialog a reputational approach was suggested where effectiveness is measured through self-reported opinions of select individuals.

### New Approaches

As earlier research failed to give a clear effectiveness measure, researchers continued to suggest increasingly complex models. A new, emergent approach has been coming to the forefront, where effectiveness is defined as “the negotiated product of repeated interactions between organizational actors and the environments in which they function” (Forbes, 1998, p. 195). Here, traditional definitions and measurements are questioned and replaced by meaning that is created through a social constructionist view through actors, their context, and their evolution.

Competing values approach is another recent approach to measuring effectiveness. It is based on the tension between “needs, tasks, values, and perceptions” that compete for resources within the organization (Aubry & Hobbs, 2011). Three fundamental value sets are presented in paradox within the organization. These are (a) structure, (b) focus, and (c) purpose. A major problem with this approach is the subjectivity of the evaluator, thus it is difficult to make comparisons between organizations, yet that is a fundamental requirement of effectiveness assumptions.

As these more recent and complex models have not been able to provide a compelling measurement model, the possibility exists that it may be time to take another look at some of the fundamental concepts relating to effectiveness in NPOs. Perhaps it is

time to take another look at the simple models rather than continue to provide more complex theories and suggest more elaborate models.

The increasing complexity of effectiveness models has not provided any solutions. In fact the ambiguity of NPO effectiveness has only increased in correlation with the greater complexity. What if we reduce the complexity of alternative theories, explore the simple approach of goal attainment principle and recognize nuances we have learned over the years? Might it not be possible to set a baseline for effectiveness that will provide a foundation for further understanding of the complex world of nonprofits?

#### Inclusion of Finances

While profitability is not a primary goal of an NPO, finances are not required to be excluded from effectiveness measures for they can impact effectiveness. Even though an NPO is not focused on making money, it cannot function if it does not have adequate financial resources. Kaplan (2001, p. 353) acknowledges that “financial considerations can play an enabling or constraining role.” Here it is important to note that financial records for an NPO can report only past performance and do not say anything about “long-term value creation,” because the value created is not financial. Thus it is reasonable to include finances as a ratio (Bagnoli & Megali, 2011) with its desired effect of changed lives and can thus serve a purpose in establishing a baseline for effectiveness and guide researchers in search for an effectiveness measure.

Herzlinger (1996) argues that NPOs should include financial and nonfinancial measures in public records and state them in quantitative terms. Kaplan (2001) supports this and encourages that some measure of effectiveness be included. The reality is that NPOs have limited resources and must allocate them in a reasonable fashion. This should

be done in harmony with the stated mission and purpose of the NPO, thus it is not unreasonable to include a financial measure in effectiveness research. Neither can finances be the sole measure, but as Kaplan argues, an NPO should be held accountable by how they meet the needs of society and not just how successful they are at raising money or controlling its use.

Ritchie and Kolodinsky (2003) suggest that financial ratios can be used as an effectiveness measure. They recommend three ratios: fundraising efficiency; public support; and fiscal performance. Among other ratios that have been suggested are total revenues, operating budget, and financial reserves (Brown, 2005). These are all primarily related to profit and finances, which are explicitly stated, by definition, as not being the goal of an NPO.

A critical analysis of six NPOs led Moxham (2009) to recommend four drivers for measuring effectiveness in an NPO: finances, achievements, operations, and continuous improvement. A closer look at his data reveals that only financial data and demonstrated achievement were present in all six NPOs in his study, suggesting a valid argument for their inclusion for an effectiveness measure. A number of years ago, Herman (1990) suggested that finances be included in effectiveness measures. Financial data combined with measurable mission data are a reasonable and logical first step in search for an effectiveness measure.

A for-profit organization does not look only at the bottom-line profit it makes. Its managers must also look at market share, various financial ratios, and the ecological impact and market perceptions their product has. In the same way an NPO has multiple factors to look at in valuating effectiveness and operations in general, but the work must

begin with a simple baseline from which other measures can then be taken and or compared with. Tinkelman and Donabedian (2007) disagree with Brown (2005) that total revenues, operating budget, and financial reserves are a good measure for NPO effectiveness. On the other hand, Ritchie and Kolodinsky (2003) suggest that finances can be used as part of an effectiveness measure, even though they are not of primary concern for the NPO (Kaplan, 2001). Such measures, though, must be tied in with the primary defined mission of the NPO.

Building on the established practice of using financial ratios to measure profitability, Abraham (2006) proposes the use of four key questions to relate financial data with the primary mission of the organization. These questions relate to: (a) the adequacy of finances for operations, (b) use of debt to support the mission in the long term, (c) use of finances to support operations, and (d) the “efficient and effective” (p. 215) use of finances.

### **Defining Effectiveness**

Defining effectiveness has been problematic, particularly for the NPO effectiveness. In the general business literature, effectiveness has first focused on the organization’s primary purpose of making a bottom-line profit, then moved on to alternative measures and have now begun to distinguish between effectiveness and performance as separate terms. This is not so in the NPO literature.

### **Confusion in Literature**

The confusion in NPO literature is rooted in two challenges: Many terms that are used interchangeably and there is no consensus for a definition. Baruch and Ramalho (2006) summarized well the problem with terminology and stated that this is “a clear



barrier to reaching a consensus” in effectiveness research. After surveying the literature he points out that the following terms are being used synonymously: “effectiveness, performance, productivity, efficiency, health, excellence, quality, competitiveness, or success” (p. 41). Perhaps the closest we have to a consensus on effectiveness is that it requires multiple criteria, includes evaluation, and covers both process and outcomes (Shilbury & Moore, 2006).

Baruch and Ramalho (2006) listed nine different terms that seem to be used as synonyms in the literature for effectiveness. These include performance; productivity; efficiency; quality; and success. Performance may be a good term as well, but it is more closely connected with financial success, while effectiveness is a more general term. For this study I am choosing to use the term “effectiveness” to denote the concept.

Hoefer (2000) uses the term “accountability” and defines it as implying “a willingness to endure public scrutiny, even an invitation for the public to scrutinize the behaviors of the organization’s leadership” (p. 167). He then goes on to discuss evaluation and seems to use these terms interchangeably. It is important to present a precise definition of effectiveness before an attempt is made to operationalize effectiveness.

It seems that key authors are assuming a basic meaning of effectiveness as a construct and then deal with criteria by which to measure it. But without a concise definition, discussing its criteria is a mute issue. Neither Forbes (1998) nor Lecy et al. (2011) provide a workable definition of effectiveness. Each new theorem has proposed a different definition or no definition at all. Early goal attainment assumed that effectiveness was based on “progress towards stated goals” (Lecy et al., 2011), or the

extent an organization met their stated goals (Forbes, 1998).

Herman and Renz (2008) define effectiveness in terms of social constructionism where effectiveness is a matter of each of the various stakeholder's opinion, thus in effect providing no specific definition. Summarizing previous studies, they point out that effectiveness can be measured through use of mission statements, needs assessment, planning documents, satisfaction, appraisal process, or financial audit (Robert D. Herman & Renz, 2004). In their earlier writing they state that effectiveness "is not an objective reality" but a social construct that is created by the agents or stakeholders of the NPO (R. D. Herman & Renz, 1999). This is a dangerous position to take, as it removes any possibility of comparison, and may be viewed as one of the fundamental flaws in the NPO effectiveness literature. Without a clear definition, there can be no consensus nor can there be a workable model of NPO effectiveness.

Barman (2007) notes the definition of performance measurement given by Volkmann (1999) as "the reporting of 'observable, quantifiable characteristics' of charities' programs and practices" before adding that the different metrications "are concerned with quantifying charities in relationship to effectiveness: that is, assessing their successful provision of services or goods" (Barman, 2007, p. 102).

While identifying various tools and resources that can be used for gauging effectiveness is commendable, there is an urgency to define NPO effectiveness as a construct. It is neither adequate to define effectiveness in terms of agents, nor to link effectiveness to performance, as earlier reported (Benita & Burcu, 2008). Rather, a specific definition for NPO effectiveness as a construct is needed.

Costa et al. (2001) stated that NPO long term performance is "based on their

ability to link and maximize social value as defined in their mission. This involves legitimacy obtained from stakeholders influenced by and influencing NPO activities, and their operational capacity or ‘economic efficiency’” (p. 470). While this is not meant to be a formal definition, it comes close to providing a workable definition by stating some key components for effectiveness. The problem I see with this definition is that it attempts to include a multidimensional view of effectiveness, instead of a simple one, and secondly it does not include a comparative value. Measures of effectiveness are of little use unless they are compared to something.

Because NPOs do not get rewarded for performance, it is tempting to ignore performance (Drucker, 1990, p. 109). Yet performance effectiveness is so much more than financial performance. With little consistency in the use of terms, various words are used interchangeably.

### A Simple Definition of Effectiveness

With a general lack of consensus on a definition for effectiveness in NPOs, it is good to begin with the dictionary. The noun *effectiveness* comes from the adjective “effective” which is defined in the *Merriam-Webster Dictionary* (“Effective,” 2003) as “producing a decided, decisive, or desired effect” (p. 397). This definition assumes that a desired effect has been decided and stated previous to action taken. It is a necessary, while not a sufficient, component for defining NPO effectiveness.

In harmony with the legal requirements for incorporating as a nonprofit, researchers should expect that the desired effect of the work and service of any NPO be defined at conception. If a clearly defined mission and purpose is not stated at incorporation, one should assume that the founding managers of the NPO did not follow

legal requirements, thus making all efforts of effectiveness measures suspect.

In the context of an organizational performance measure, it is also important to include an element of comparison, for effectiveness in an organization is of little value unless the measure is used to compare (Robert D. Herman & Renz, 2008) and evaluate the measure with either another similar organization or to compare within the organization.

It is also imperative to base the measurement on the stated desired effect of the organization, or, “the degree to which a nonprofit organization and its activities fulfill the purposes for which it exists” (Dart, 2010, p. 205). Therefore I will use the following definition of effectiveness: the level of desired effect, in comparison with a level of actual effect produced in a similar entity or time frame.

#### Requirements for Definition of NPO Effectiveness

This definition requires a publicly defined purpose of an NPO and a clear expression of the desired effect of its service. This is not an elective requirement, but a publicly mandated one (Baruch & Ramalho, 2006) and should be expected of all NPOs. The desired effect or organizational mission should by necessity have been previously stated in a public and official manner.

Secondly, this definition also requires that key resources used in the service of the NPO be quantified and that such resources be linked to the desired effect. For this to be feasible and practical, it is necessary to categorize NPOs into relevant segments. Finally, it is important to recognize that effectiveness measures are meaningless without some comparison, either between organizations or within. Internal comparison can be between individual entities, or between different time frames.

The above definition will be used as a baseline definition in this current empirical study. I will take a religious NPO in the U.S. and attempt to compare all 50 entities of this one organization with each other and over a time period of 20 years, to see if an organizational primary goal, stated in its mission, can be used to demonstrate NPO effectiveness.

### **Level of Measure**

At the same time it is not reasonable that an NPO can complete its mission and say that its work is over. Rather, as time moves forward, we can expect that its work in society becomes more complex, and to measure organizational effectiveness becomes increasingly more difficult. Increased complexity may require hierarchical linear models to provide analysis at multiple levels, yet this does not constitute an effectiveness measure. I recognize and accept that there is no one single good measure for a simple evaluation of effectiveness, but at the organizational level there are some basic measures available that tie in with the mission and purpose of the NPO that can be used to compare over time or with other similar organizations to provide a baseline measure. Then it should be wise for leaders to incorporate linear hierarchical models and structural equation modeling to advance their analysis to a higher level for greater insight into the effectiveness of their organization relative to their stated mission.

To focus effectiveness on the program level has been pointed out to be difficult and potentially dangerous. Herman and Renz (1999) mention three potential problems with an outcome or program-level focus. When program-level indicators are used for effectiveness, viewing the organization as simply a sum of its programs reduces the scope and mission of the NPO and does not do justice to its larger societal value. Secondly,

program-level focus increases the chances of committing a fallacy of affirming the consequent. But program-level measures do not demonstrate cause and effect, and one must be restrained in its interpretation. Finally, tracking a specific program may lead to the tempting assumption that by tracking a program we can improve the measure by a point or two through specific actions. Reality is that numerous factors come to play, even such things as maturation or environmental factors.

Organizational effectiveness is distinct from program effectiveness (Herman & Renz, 2008) and leaders must be careful not to confuse the two. It is more reasonable to take a look at organizational effectiveness than program effectiveness partly because the NPO board and leaders that are in charge of guiding the NPO in the fulfillment of its mission will be looking at and steering the overall organization and not just individual programs (Stone & Ostrower, 2007). The various programs are more short term and may impact individuals at a point in time, but it is in our interest to look at the larger picture over a period of time.

Lynch-Cerullo and Cooney (2011) point out differences between outcome and output and suggest that outcomes and program measures are limited to the program and what happens to participants at a specific point in time. I am interested in the output or overall effectiveness of the organization. Sowa et al. (2004) looked at program-level effectiveness and were not successful in finding results that satisfied as an organizational effectiveness measure.

### **Call for Empirical Research**

While researchers continue to make a call for more empirical writings (Forbes, 1998; Hoefer, 2000; Lecy et al., 2011), emphasis in publications remained focused on

additional theoretical frameworks such as Stone and Sandfort's (2009). This is precisely the problem the effectiveness literature is struggling with. As each approach and definition is questioned and replaced with another more complex approach, the field continues its fragmented march through time, without providing concrete and meaningful guidance to practitioners. Instead of continuing with increasing complexity, it may be beneficial to go back to the basics and rethink our core foundations. Namely, our many definitions of NPO are questionable and perhaps the very source of our fragmentation and lack of success in measuring effectiveness.

At a 2008 Symposium to evaluate accountability in NPOs, sponsored by the Center for Accountability and Performance, the participants "agreed that the current practice of performance measurement has become overly complex and cumbersome" (Alexander, Brudney, & Yang, 2010). While some outcomes are difficult to measure, it is important to be clear both in stating what the desired effect of the NPO is and what stakeholders expect to see as a result of the mission. With these clearly stated, it is possible to relate the defined outcomes to financial resources committed to the work and mission of the NPO.

The crux of the problem can be taken back to the question Drucker (1990) raised: "What is the bottom line when there is no 'bottom line'?" (p. 107) (Drucker, 1990, p. 107). The assumption behind this question is that since financial profitability is not the purpose, then measurable purposes are not available. While Drucker goes on and points out that there are multiple goals in an NPO and that many of these are measurable, the basic assumption has been lingering in the NPO effectiveness literature for the last three decades. NPO effectiveness researchers have been unable to reproduce a simple,

straightforward measure, like the for-profit effectiveness researchers have done (Sawhill & Williamson, 2001).

A simplified unidimensional model to effectiveness in an NPO may prove beneficial in our search for a usable effectiveness measure. This cannot be a single unidimensional model to fit all NPOs, for that is generally accepted as not workable (Eckerd & Moulton, 2011). But a unidimensional model that is geared towards a specific segment of the NPO is reasonable and may be beneficial to define.

Over the last 30 years, multidimensional models and increasingly complex models have failed to produce a clear and precise understanding of effectiveness measure in the NPO. In fact, one study suggested that so-called multidimensionality in the newer models was simply multicriteria (Baruch & Ramalho, 2006). These are two different things. It is time to go back to a basic definition and a simple measure of effectiveness that is based on the stated purpose and desired effect the NPO wants to make on society. Once we have established a basic understanding, then it is prudent to bring in these newer models and gain increased understanding of NPO operations through greater complexity.

In their frequently referenced paper, Herman and Renz (1999) state in their abstract that NPO effectiveness “will never be reducible to a single measure” (p. 110), yet in that same paper, while reporting on the survey they developed to measure NPO effectiveness they contradict themselves. Their instrument contained items on the following factors: financial management, fund raising, program delivery, public and media relations, community collaboration, working with volunteers, human resource management, government relations, and board governance. It was expected that they would identify at least two or more factors, but “all the items loaded on only one factor”



(p. 112) indicating that all these factors were simply multiple facets of a unidimensional model.

Herman and Renz (1999) argue that because the “crucial exchange” of an NPO is “measured in moral or value terms,” it is impossible to measure NPO effectiveness in unidimensional terms. But a study on Canadian environmental organizations presented findings that contradict the general idea that effectiveness is a multidimensional construct (Dart, 2010). Because the early unidimensional approach did not provide clear effectiveness measures, researchers have been going down the road of increasing complexity with little results (Forbes, 1998; Leczy et al., 2011). The Canadian study found that numerous NPOs are defining effectiveness “in a surprisingly distinct and simple manner” (Dart, 2010)).

Recent studies have acknowledged this need to anchor effectiveness in the basic mission of the organization (Bagnoli & Megali, 2011), but then suggest that in addition to inputs and outputs, an NPO should also use outcomes and impact as part of the effectiveness measure.

### **Seventh-day Adventist Church**

The Seventh-day Adventist church is a Protestant, Christian, religious NPO that came out of the Great Millerite disappointment of the 1840s, formed a publishing association and adopted its name in 1860, formalized a constitution and organized a general conference in 1863 (Maxwell, 1976, p. 145; *Seventh-day Adventist Encyclopedia*, 1976).

When the Great Disappointment of 1844 became a reality, many Christians turned away from their faith assuming that the Bible had made an erroneous prediction. Schwarz

(1979) points out that a small group of believers took a different course of action by assuming that the Bible was fundamentally correct, but that they had understood its message incorrectly by stating that Jesus would return in 1844. Thus the Great Disappointment was a result of human error and not due to the failure of God. Therefore they continued to study the Bible, and eventually developed a systematic theology that included a clear teaching of the end of the world with the return of Jesus at a later, unidentified date, and embraced an urgency of mission to proclaim their faith with personal hope to all the world (Maxwell, 1976).

From the very beginning as an organization, the SDA church has felt a deep sense of mission. The early constitution of the General Conference (1863) required the executive committee to act as a “missionary board” and has since seen itself as more than a religious organization. It is a “movement with a message and a sense of mission” (Maxwell, 1976, p. 152) and an urgency to reach the whole world with its message driven by its prophetic understanding.

The formally voted mission statement of the SDA church is published on the General Conference web page and states that its mission is:

To make disciples of all people, communicating the everlasting gospel in the context of the three angels’ messages of Rev 14:6-12, leading them to accept Jesus as personal Savior and unite with His remnant Church, discipling them to serve Him as Lord and preparing them for His soon return” (General Conference, 2012).

This mission statement is ideal for testing NPO effectiveness because it includes a key element that is measureable. Recruiting members for the SDA church is measurable and the data are currently available for all 50 entities in the U.S.

The urgency of this mission statement has led to phenomenal growth from 125 churches and 3,500 members in 1863, to 70,188 churches and 16 million members in

2010. In 1900 there were 65 institutions operated by the SDA church with 1,500 active employees, while today there are 2,648 institutions with over 220,000 employees.

Financial contributions to the organization in 1863 were \$8,000, but in 2010 they totaled \$2.9 billion (this does not include donations to local churches nor independent but supportive entities). Between 2009 and 2010 the organization experienced an overall membership growth of 4% (Trim, 2010).

### Effectiveness Measures for the SDA Church

Based on the arguments presented above, I am choosing to return to a simple approach to effectiveness measure and will primarily follow a goal attainment approach to NPO effectiveness. Later approaches to effectiveness have not been able to present better results, thus do not validate the theory. By following the suggestion of Selden and Sowa (2004) that if an organization has a well-defined mission statement, then the goal-based approach to effectiveness is the better way, I choose to look at a key measurable ingredient of the SDA church's stated mission and juxtapose that with financial measures over a period of time.

As Drucker (1990) stated, one of the most important functions of the NPO leader is to define and clearly state the mission of the NPO. If this is not stated well, it is difficult to define a measure. One reason the SDA church is an excellent NPO to explore effectiveness measure with is that it has a clearly stated and published mission statement that includes measurable variables.

### Mission Driven

Every organization needs to have a mission statement where its purpose, values, and priorities are clearly stated. These are the fundamental priorities that are to serve as a

blueprint for the organization (Abrahams, 1995). NPOs, like any other organization, need to have a mission statement. The government requires NPOs to file their mission and purpose with the IRS on form 990 when applying for non-profit status. IRS also requires that a specific NPO category be defined and stated. This is also reflected in the literature—other authors do so as well.

The NPO mission is the central reason for the organization's existence, but it cannot be accomplished without financial input and resources. Thus it is reasonable to include finances when looking at NPO effectiveness. A natural tension exists between the two, as the NPO management team tries to balance financial measures with mission accomplishment (Chetkovich & Frumkin, 2003; Dart, 2004). This is one reason why for-profit management practices have so often been applied to NPO management.

As stated earlier, a consensus on how to measure effectiveness in an NPO does not exist (Moxham, 2009). Apart from financial profitability, there is little difference in its essence between effectiveness in a business venture and an NPO. With little or no consensus among stakeholders for a measurable construct, it is important for us to choose one that is available and reasonable to use (Speckbacher, 2003). Thus it is necessary to select reasonable and available measures that may provide a baseline for comparison purposes.

### Standards for Comparison

It is important to note here what Barman observed: that “the use of performance measurement has been shown to result in the standardization of services, inhibit innovation, produce mission drift, and lead to conflicts over accountability to different constituencies” (Barman, 2007)). This is unfortunate and is not the intention of this study.

NPO effectiveness and performance measures are intended to improve service, and encourage leaders to find new ways of operations that help increase the desired effect of the NPO. It is true that financial effectiveness is and will be a going concern for NPOs but it is not the only concern. Empirical findings and theoretical writing on effectiveness are to be taken into consideration, yet they are not to control or dictate operations, they are of particular interest during times of change and uncertainty. NPO leaders need to keep their eye on the mission and purpose of the organization, and any effectiveness measures they have at their disposal are tools that they should feel free to use as appropriate, but not to be taken as a forced invention.

#### Recruitment of New Members

It is important to look at a particular segment of NPOs and inquire as to what is important in evaluating their effectiveness because each organization, and at least each segment, will look at this differently (Tinkelman & Donabedian, 2007). For the SDA church this is somewhat easier to determine as membership figures are regularly recorded and tracked, and are spoken of at numerous workers meetings that I have attended. One of my earlier conference presidents would ask the pastors to come into his office on a yearly basis and give a good faith estimate of how many they expected to recruit in the following year. This was the only number that this particular president considered in his year-end planning with his pastors.

Earlier studies have suggested three questions to measure effectiveness in an NPO: (a) Are we fulfilling our mission, (b) Do our activities support our objectives, and (c) Do we have adequate resources (Sawhill & Williamson, 2001)? A religious organization has an advantage for measuring purpose, in that its membership reflects the

overall success and answers two of the above questions. Thus it is ideal for testing a mission-driven measure of success, and if found true, will support calls for more concrete mission statements and less abstract ones for all NPOs.

The overreaching mission statement presented by the SDA church from their world headquarters includes a measureable goal to: “unite with His remnant Church” (General Conference, 2012), reflecting a belief that the SDA church is the last church called and established by God and that increasing its membership is a God-driven mandate, thus providing a reasonable justification for using membership additions as a measurable effectiveness criteria.

Tinkelman and Donabedian (2007) suggest that effectiveness be measured by looking at a ratio of total value of service, and calculated for dollar inputs. Thus for SDA conferences it is reasonable to assume that member recruitment, an important organizational value, be set against dollar expenses. Other criteria, such as member spiritual care, could be selected, but are more difficult to measure; are not stated as core goals in mission statement; and early leaders of the SDA church saw the pastoral role as primarily evangelistic rather than for member nurture (Burrill, 1993).

The question of level of evaluation is an important one. Program level and organizational level measurements may give different results and lead to varied impact on the NPO (Campbell, 2002). In order to look at the organizational level, and not program level, I suggest that three measures be used: Cost of ministerial services, cost of education, and administrative cost, as these are the primary cost categories of the SDA conferences. In addition I will include a smaller category of evangelism as this reflects direct investment of member recruitment at the conference organizational level.

## **Summary**

NPO effectiveness literature is fragmented and lacks both unity of definition and of measure. Multiple theories have been presented with relatively few empirical studies presented to illustrate and substantiate the theories proposed. While for-profit effectiveness found a substantial tool in goal attainment, this has been elusive in the NPO segment, resulting in the general abandonment of goal attainment as a valid measure.

I have shown that a key problem underlying the NPO effectiveness literature is in the general practice of lumping all NPOs together into one group. Secondly, the inclusion of a measurable variable in an NPO's mission statement is important for any goal attainment approach to effectiveness.

Rather than looking at effectiveness as strictly a factor of goal success, it is important to have an element of comparison with a similar organization, over a period of time. The SDA church is presented as an NPO candidate that may illustrate a practical way to measure effectiveness in an NPO by taking a long-term look at multiple organizations so that we have both within and between comparisons on a criteria specified in the overall organizational mission.

## CHAPTER 3

### METHODOLOGY

#### **Introduction**

The purpose of this study is to explore the predictive relationship between use of funds in SDA conferences in the U.S. and organizational effectiveness, using official accounting and membership records. The framework for the study is from the work of Abraham (2006) who suggested four questions relating finances to organizational mission. These questions relate to adequacy, sources, and availability of funding as well as the application of those funds.

Researchers have been calling for empirical studies to test theories of NPO effectiveness, and this study intends to contribute to that body of literature. Three challenges regarding the data collection for NPOs seem to be common. First, there is a frequent difficulty in identifying data that can measure effectiveness of an NPO, as their bottom line is generally vague and broad in contrast to business ventures that can focus on financial profits. Secondly, there exists a lack of uniformity of data that are sometimes not published and regulated. Finally, there is a general lack of accessibility to data that are generated, available to some stakeholders, but kept hidden behind committees and administrative officers.

#### Research Design

This study uses a linear time-series analysis where the relationship between



variables and past values is explored. It is assumed that by observing past relationships between the variables, inferences may be made about future relationships (Tsay, 2010). The purpose of the linear time series is generally twofold: first, to understand the relationship between variables in the past, and secondly, to forecast future relationships (Cryer & Chan, 2010). By utilizing a linear time-series approach, a broader picture of patterns and relationships should emerge, as opposed to a single snapshot in time. A current problem with the study of NPO effectiveness is the short-term focus (Moxham, 2009) presented by some studies. Ebrahim (2005) points out that a short-term focus on output and activities is not beneficial for effectiveness measures and a learning organization. It is better to focus on long-term impacts and outcomes. This study will take a long-term view through a time-series analysis of a 12-year period, from 1997 through 2008.

A multiple linear regression was performed with time-series analysis that takes a long-term perspective to reveal insights that a single snapshot cannot provide (Baruch & Ramalho, 2006). Stone and Ostrower (2007) suggested that data be collected over time in order to improve causal links. Forbes (1998) called for conducting longitudinal studies in order to help clarify the effectiveness construct in NPOs.

### Population

The complete population of SDA conferences in the U.S. is 50 units. Each conference is a legally independent unit, incorporated as a non-profit organization that maintains separate constitution and bylaws, chooses its own administration, recruits all personnel, and implements its own strategy. Since this is a finite population, a statistical sample is not meaningful and thus attempts were made to include the complete

population in this study.

Some of the data were stored in national archives at the GC-A, but I also turned to all 50 conferences, and contacted each treasury office directly, through multiple emails and phone calls, requesting relevant data that would be of value to this study in order to have a more complete data for the study. Thus we contacted every entity in the full population; 21 responded by sending me data files, or 42%. Of these respondents, 13 had complete, comparable, and useful data. These 13 conferences represented all eight Union Conferences of SDA in the U.S., and provided samples of small, medium, and large conference entities.

Building on the four questions suggested by Abraham (2006), in my search for an effectiveness measure for religious NPOs this study I will test seven primary hypotheses.

### Purpose and Hypotheses

The purpose of this quantitative study is to explore predictive relationships between how funds are used, in conference organizational units of the SDA church, and membership growth, which is a key component of the officially defined organizational mission. Financial and member recruitment data were utilized for a correlation time-series analysis, in order to explore relationships and to look for maximum correlation between use of funds and member recruitment. It is reasonable to assume that past relationships are an indicator of future relationships between these variables. The following primary hypotheses will be tested:

1. A cash flow model of conference operations, including variables on liquidity, working capital, and self-support, will predict effective member recruitment.
2. A debt service model of conference operations, including variables on debt for

plant development, total liabilities, and average debt per member, will predict effective member recruitment.

3. A member donation model of conference operations, including variables on total tithe, average tithe per member, and tithe as ratio of net worth, will predict effective member recruitment.

4. An organizational effectiveness model of conference operations, including variables on church ministry, education, and administration, from yearly audit statements will predict effective member recruitment.

5. An organizational effectiveness model of conference operations, including variables on church ministry, evangelism, education, and administration, from yearly financial activity statements will predict effective member recruitment.

6. An organizational effectiveness model of conference operations, including variables on church ministry, education, and administration, as a ratio of tithe donations, will predict effective member recruitment.

7. An organizational effectiveness model of conference operations, including variables on church ministry, education, and administration, as a ratio of recruitment, will predict effective member recruitment.

It was hypothesized that as funds are directed to member recruitment, actualized recruitment will increase. As funds are invested in education, I expected to see increased recruitment of children and youth, while adult recruitment was expected to increase as funds were directed to pastoral services and evangelism. It was also hypothesized that increased funding of general administration would result in either no impact or negative impact on member recruitment. Other predictive relationships were explored in order to

find meaningful relationships between the use of funds and organizational effectiveness.

### **Variables**

All the variables used in this study are from the organizational level, in harmony with the recommendations of Herman and Renz (1999) and Eckerd and Moulton (2011). Variables on financial data come from audit and financial activity statements or Secretariat's report. Membership data come from the Secretariats report as well. All variables used in this study reflect operations at the organizational level or are aggregate data from the organization as a whole.

In order to make the comparison between years more meaningful, financial data were adjusted for inflation by using the Consumer Price Index (CPI) as a factor, and brought to 2008 CPI levels. Thus changes between years in financial figures represent realized gain or loss on an even platform where comparison can be assumed to demonstrate changes in operation due to administrative decisions.

### **NAD F50 Reports**

The North American Division of SDA gathers financial data from accounting records of all its entities and summarizes these in reports called NAD F50s. These were made available to me by the GC-A; these records provide summary accounting data from all SDA conferences in the U.S. Among these are 10 financial indicators that are financial ratio summaries based on accounting data (these can be seen in Table 27 in Appendix B).

The footnote of the NAD F50 reports indicates that when line Item #17, "Unallocated and Allocated Operating Net Worth/Fund Balance," is a negative number, "Financial Indicators" including this variable are not utilized for ratio calculation. In reviewing the data for the 13 entities in this study, negative values were encountered in

Item #17 a total of 15 times, and one time a zero was recorded. This reality negates half of the 10 financial ratio indicators, reported on the NAD F50, from being used in any meaningful comparative analysis. Four ratios from NAD F50 were used in this study and are listed in Table 1. A description of all 10 NAD F50 ratios can be found in Appendix B, Table 27.

Table 1

*Financial Ratio Indicators on NAD F50 Used in This Study*

No.	Ratio	Description
1	Liquidity Ratio	(Cash + securities + receivables from higher organization) / (Total current liabilities + allocated capital net worth)
3	Required Working Capital	Working capital / required working capital
8	% Self Support	Earned operating income / operating expense
9	Debt Financed Fixed Assets	Total investment in plant / fixed assets

Three of these ratios were used for evaluating the adequacy of financial support (see Table 2). Ratio #1 Liquidity Ratio represents a sum of cash, security investments, and accounts receivable from higher organizations, divided by the sum of total current liabilities and allocated capital net worth. As a ratio of cash on hand against current liabilities, this is a good measure of liquidity of the organization.

Ratio #3 Percentage of required working capital is a measure of the working capital on hand as a ratio against required working capital. Each conference is expected to have 3 months of working capital on hand in savings so that if all income dried up

suddenly, the entity would have 3 months to close down or make changes in operations. The percentage demonstrates the ratio of this requirement, and is thus another good measure of cash availability for operations.

Table 2

*Description of Independent Variables on Cash Flow Model*

Name	Variable	Description
Ratio01	Ratio #1 from NAD F50	Liquidity
Ratio03	Ratio #3 from NAD F50	Working Capital
Ratio08	Ratio #8 from NAD F50	Self-Support

Ratio #8 or Percentage of self-support is a ratio of earned income over operating expenses, and measures the level of support provided to the organization in relation to its operations.

Table 3 presents the three variables used to represent liabilities. One debt ratio from the NAD F50 report was included. This was Ratio #9, percentage of debt used to finance fixed assets. Here, debt used to invest in plant development was divided by total net value of fixed assets. Data listed as “Total Liabilities” were also used from line number “G” on the NAD F50 report. A third debt measure was calculated using Total Liabilities from NAD F50, divided by total membership at beginning of each year, from the Secretariats report, in order to find how much debt was carried per member.

Table 3

*Description of Independent Variables on Debt Services Model*

Name	Variable	Description
Ratio 09	Liabilities invested in plant divided by total fixed assets	Measure of debt used to fund plant
TotLib	Total liabilities as reported on N50s	Reported total debt
TotLib/M	Total liabilities divided by membership at beginning of year	Measure of debt per each member

## Member Support

Three measures for adequacy of finances to support operations were included and are listed in Table 4. These were tithe, ratio of tithe per member, and ratio of tithe to net worth. Tithe, for SDAs, is considered to be an important part of their lifestyle. Based on the teaching of the Bible (1 Chr 29:14; Mal 3:8-12; 1 Cor 9:9-14; 2 Cor 9:6-7) members are taught that tithe represents one tenth of their income and is a portion that belongs to God and is to be returned to the church's storehouse to fund various ministries. This is not considered a donation for local ministry, but is to be forwarded directly to the

Table 4

*Description of Independent Variables on Member Support Model*

Name	Variable	Description
Tithe	Tithe from Statistical Report	Measure of donations made to conference
Tithe/M	Tithe from Statistical Report divided by total membership at beginning of year, from same report	Measure of average support from each member
Tithe/H	Tithe from Statistical Report divided by total net worth from NAD F50	Measure of net worth to donations

conference organization which in turn hires ministers and supports area-wide ministry. Tithe is thus an excellent measure of member support and funding for organizational operations.

Tithe and membership data were pulled from the Secretariats Statistical Report. Tithe/M or Tithe per member was calculated by taking the total yearly tithe, divided by total membership at the beginning of each year. Finally, Tithe/H or Tithe over measure of net worth was created by taking the reported tithe from the Secretariats Statistical Report, divided with Total Net Worth/Fund Balance, line Item #H, from NAD F50 report, in order to include a measure where funding was related to net worth of the conference.

### Financial Reports

In reviewing the year-end financial statements from SDA conferences, three major expense categories emerge across all conferences. These are (a) administrative and support operation expenses, which cover the cost of the administrative team, accounting, human resource, overall marketing and development of the organization; (b) pastoral expenses and church ministry, which include salaries and benefits of the pastoral staff within the conference; their focus is to maintain their respective congregations and plan, develop, and implement recruitment efforts; and finally, (c) education expenses, which include both elementary and secondary expenses at the organizational level. This last category includes primarily the amount of funding transferred from the conference level to the elementary and/or secondary school. Income from local tuition and church subsidies is not included as the focus of this study is focused on the organizational level.

Both the year-end financial activity statements, received from individual



conferences, and the year-end audited statements, received from GC-A, were used for this study. The audited statements provided more general summary of operations. Three primary figures were used from the audit reports and are listed in Table 5. From the Program Services Function, I used the summary line of “Church Ministries” and the “Educational” figures. The third number from the audited statements was total cost of Supporting Services Function. These categories are not explained in the audit statement, and include a summary of total financial activity expensed into these categories.

Table 5

*Description of Independent Variables on Operation Effectiveness/Audit Report Model*

Name	Variable	Description
AudC&P	Church Ministries expense from GCAS Audit report	Measure of cost activities for pastoral service and church ministry
AudEd	Education Expense from GCAS report	Measure of cost of education
AudAdm	Total Support Services Function from GCAS report	Measure of cost of administration

From the year-end financial activity statement received from each conference, I had access to more detail and was able to extract specific data relevant to this study. Four primary variables were used from the year-end financial activity statements and are listed in Table 6. Only pastoral and ministerial expense was included as part of the Program variable. Where specific funds were set aside for ethnic ministry, these were added to the pastoral expense.

Education expense functions were also separated into more detail in the year-end

financial activity statements. I included elementary and secondary education cost that was funded from the conference. This variable does not include support of college education, or financial aid given to students.

In the same way, the year-end financial activity statement provided opportunity to analyze administrative cost further. In order to get a more nuanced figure, I added ministerial secretary cost, or the administrative side of pastoral service, and the education staff cost, to the cost of administration, which included treasury and president's office. It was assumed that this provides a more complete measure of administrative cost.

Table 6

*Description of Independent Variables on Operation Effectiveness/Year-end Financial Activity Report Model*

Name	Variable	Description
C&P	Church Ministry and pastoral service from conference Financial Activity Year-end Report	Measure of variable cost of pastoral services and recruitment programs, as delivered through local church and funded by conference
Evang	Evangelism funds from conference Financial Activity Year-end Report	Measure of cost of direct recruitment efforts
Ed	Total education cost from conference Financial Activity Year-end Report.	Measure of total education transfer cost, both elementary and secondary. Cost limited to direct funding from conference funds
Adm	Total administrative cost from conference Financial Activity Year-end Report	Sum of direct ministerial, education, and office expense

A fourth category was also included in the study in spite of its relatively minor portion of the overall conference budget, because it represents the organizational level funding of direct member recruitment. In financial records, this item is labeled “Evangelism.” The reason for this inclusion is that recruitment of new members is a key component of the organizational mission and an independent variable to be correlated with dependent financial variables over the time period selected. This account is still at the organizational level rather than program level, as it represents primary funding available for recruitment at the conference level, and not specific programs that are implemented at the congregational level.

Records of evangelism expenses were not available from the year-end audited statement, where it was included in the general Church Ministry line item. Thus I was not able to compare models with evangelism expense between audited and year-end activity statements in this study.

I explored various models and ratios in search of a good measure of operating effectiveness. Only two provided some significance and were thus included. These were cost of program, education, and administration as a ratio of Tithe (Table 7), and as ratio of Recruitment (Table 8).

### Member Recruitment

Each conference maintains accurate records of additions and attritions of membership. These records are separated into four age groups: (a) children, (b) teens, (c) young adults, and (d) adults. A fifth category is called “unknown” where the age of the individual has not been noted at the conference level. Since education at the conference level is limited to elementary and secondary schools, it is assumed that

funding at the conference level for education purposes will impact member recruitment of children and teens, as they are the age group that attends those education levels. As all the conferences collect these categorized data, I assumed that I would be able to access the same data in GC-A.

Table 7

*Description of Independent Variables on Operation Effectiveness Measured as Operations Ratio to Member Support Model*

Name	Variable	Description
C&P/T	Pastoral service and evangelism from conference Financial Activity Year-end Report / divided by tithe	Ratio of tithe donations used for pastoral services through local church
Ed/T	Total education cost from conference Financial Activity Year-end Report / divided by tithe	Ratio of tithe donations used for education services
Adm/T	Total administrative cost from conference Financial Activity Year-end Report / divided by tithe	Ratio of tithe donations used for administrative expense

Table 8

*Description of Independent Variables on Operation Effectiveness Measured as Operations Ratio to Member Recruitment Model*

Name	Variable	Description
C&P/NG	Church ministry and pastoral service from conference Financial Activity Year-end Report / divided by new member additions	Ratio of church ministry and pastoral service cost to actual new recruitment
Ed/NG	Education cost from conference Financial Activity Year-end Report / divided by new member additions	Ratio of education transfer cost to actual new recruitment
Adm/NG	Administrative cost from conference Financial Activity Year-end Report / divided by new member additions	Ratio of administrative cost to actual new recruitment

Baptismal records represent those who join the SDA church as new members. Baptism for the SDA church is performed by immersing the candidate fully under water for a brief moment, before coming out of the water. This represents the death, burial, and resurrection of Jesus Christ, and signifies the candidate's acceptance of Jesus as his personal savior. Thus baptism is a significant undertaking and is not done lightly, but rather as a deliberate intention to join the SDA church and as such is an excellent measure of recruitment efforts.

Profession of faith represents the induction of a new member who has previously been baptized by immersion in a different denomination. Thus this also indicates the recruitment of new members. The SDA church does not require individuals to be rebaptized if they have been baptized by immersion previously, as Jesus died only once. To be accepted into the SDA church through profession of faith is also a sign of successful recruitment. These data were therefore included and combined with baptismal records as an indicator of recruitment success.

As both baptismal numbers and profession of faith numbers represent recruitment of new individuals joining the SDA church, these two numbers were added to use as a single measure of new recruitments.

A second dependent variable was calculated as percentage of growth, by dividing total yearly recruitment with the total membership at the beginning of that same year. A percentage growth levels the comparison between a large and small conference, by looking at the percentage gain rather than actual recruitment numbers. This was applied in order to control for organizational size and search for effectiveness measures of operations. Dependent variables are listed in Table 9.

As this is an exploratory study, a decision was made to use both percentage growth in recruitment and actual numbers of recruitment as dependent variables. Recruitment growth was derived by taking the reported yearly baptism with the added reported profession of faith. Both numbers are reported on the yearly Secretariat's report.

Table 9

*Description of Dependent Variables*

Name	Variable	Description
NG	Numerical growth, or sum total of baptism and profession of faith	Measure of mission success as actual number of new recruits
PG	Percentage growth, calculated by dividing total recruitment by beginning total membership	Measure of success as a percentage membership growth

The percentage growth was calculated by taking the above sum of increased recruitment divided by the conference total membership at the beginning of the year. By using these two numbers an attempt was made to explore if there was a difference between actual numerical growth and by providing a neutral comparison that did not count for organizational size.

#### Data Collection

By using standardized data, a more uniform data set was available, and the likelihood of meaningful comparisons and correlations is increased. Data were collected up to the last year that complete data sets were available in the archives. The availability of data was the determining factor as to the timeframe used in this study. Multiple gaps were in the data that I had from before 1997, and few data points were available to me

after 2008, the final year of this study.

The financial statements utilized are uniform year-end statements from all 13 conferences, and provide financial data that can be assumed to be an accurate reflection of actual expenses incurred for the financial year.

Data were gathered from the GC-A, and directly from each conference treasury office. From the GC-A I received (a) year-end audited statements, stored at the GC archives from each conference and collected there on a yearly basis; (b) NAD F50 reports that include key financial measures, and (c) Statistical Reports from the NAD Secretariat's office, including summary donations, membership, and total recruitment figures (profession of faith and baptismal records). I am grateful for the generous permission given to me to gather these data and to use them for the current dissertation.

NAD F50 Financial Summary statements provided key financial figures and financial ratios of each and every fiscal entity within the SDA church. These are published each year and provide a yearly comparison for each entity.

The year-end statistical analysis includes the beginning membership; additions by transfers, baptism, and profession of faith for the year; as well as how many have been dropped from membership due to death, transfer, removed, or missing. An ending membership is also provided.

From each of the 13 conferences I received a Statement of Financial Activity Summary, from the year-end Operating Fund. These statements are assumed to be relatively uniform and accurate in that they are the basis for yearly audits and are presented to various agents and stakeholders for evaluation. These statements provide a categorization of expenses in all major expenses of operation in the fund account setup.

While the fund account numbering system was not always exactly the same between conferences, they were uniform in a systematic approach so that it was relatively simple to summarize relevant figures to provide a uniform set of data for comparison.

From the year-end Audit Report, three expense figures were used: (a) church ministries (AudC&P), (b) education (AudEd), and (c) total support service (AudAdm). From the conference Financial Activity Year-end Report, the summary figures were compiled from the same categories: (a) church ministries (C&P), (b) education (Ed), and (c) administration (Adm). The major difference between these two statements is that the Audit Report is all-inclusive, whereas the Financial Activity Report allowed me to pull out major expenses that were directly related to the category.

It was notable to see that administrative cost is divided up between categories, so that the Audit Statement does not include administrative cost for education or for ministerial director. Thus I expect to see a difference in the predictive value of these two sources of data.

The membership statistical records are compiled from each local congregation where the local church clerk is given the task to report all membership changes. As member recruitment is a key measurable mission goal, the employed clergy are keen to ensure that reporting is accurate and that no new recruits are left unaccounted for. The pastor is also expected to report all new members to the conference, thus there exists duplicity of accounting of new recruits with the pastor and local church clerk, each sending a report to the conference.

The conference Secretariat office then compiles these records from all local churches and verifies them before forwarding the records to the North American Division



and General Conference, where the data are stored as a permanent record of membership. While there may be some discrepancies, these records represent a consistent and most accurate member recruitment data that are available. It is assumed that these records are a fair and consistent record of membership that will provide a key variable for this study.

From the Secretariats Statistical Report, I used tithe (T), as well as membership, baptism, and profession of faith. From the NAD F50 reports four financial ratios were used (Ratio01; Ratio03; Ratio08; Ratio09).

Consumer Price Index (CPI), compiled by Bureau of Labor Statistics, was entered as a factor for each of the years in this study and a formula added to a Microsoft Excel spreadsheet to adjust for changes so that all expenses would be reflective of real cost in the year 2008, which was the last year studied. In addition, summary formulas were used to bring numbers together from the raw data. For example, data on profession of faith were added to baptismal data in order to determine total recruitment numbers.

A Microsoft Excel spreadsheet was used to gather and sort all data from the various reports on all 13 participating conferences. Data were manually transferred from paper and digital records into a Microsoft Excel spreadsheet. A single Excel spreadsheet was created for each year, where a column was marked for each item from the financial and statistical records, and one row marked for each participating conference. Thus a matrix of all data was formed. Conferences were numerically coded in an attempt to protect their identity.

After all the relevant data had been entered into Excel, the data were imported into SPSS where the population was tested for kurtosis and skew. Data were found to be non-normal and somewhat skewed. The latter may be due to the finite size of the total

population.

### Complex Data Collection

As noted above, the majority of NPO effectiveness studies have focused on theory rather than empirical data (Lecy et al., 2011). As I gathered data for this study, I encountered numerous roadblocks and unexpected barriers to gaining access to necessary data. This was surprising to me as I began with the understanding that NPO data are readily available to members and regular donors. I assumed that I would not have any difficulty gaining access to relevant data, but found out differently as I embarked on this study.

Before I began writing this dissertation, I contacted the GC-A in Washington, D.C., to request permission to access financial and membership data for this study. Permission was granted almost immediately. I filled out and signed the required paperwork forwarded to me, and I began to write. Five months later I was ready to gather data. So I contacted GC-A to inquire as to the best time to come and how I should prepare for data gathering. I was very much surprised when the GC-A responded by not recognizing my request, stating that I would not have access to the necessary data, contrary to their earlier written permission.

When I stated that I had already received permission, this was immediately refuted and told that I had not received any permission from the GC-A office. When I submitted copies of correspondence demonstrating the earlier decision to grant me access, the officers at GC-A refused to honor their earlier permission and told me that I would most likely not get any access to their data. With the help of my professors, permission was eventually granted to gather data at the GC-A.

Upon arriving at the GC-A and looking at available data, I realized that the only baptismal data archived was the total baptism. I then discovered that these data are all available on a computer database kept by the Secretariat's office in the NAD, and the staff informed me that they could run these data for me in a few minutes, but were not allowed to do so without permission from the NAD Secretary. I made multiple attempts to speak with the NAD Secretary over a period of 3 days that I was in the building, but to no avail.

When I could not make contact with the NAD Secretary either in person or by phone, I emailed one of the IT techs at the Secretariat's office to confirm that these data were actually available and could be printed off in short time if permission to access the data was granted. This was confirmed and I sent a copy of this confirmation to the NAD Secretary hoping to accelerate permission to access the data. In a very short time, I received a call from the Secretary, instructing me firmly that these data were off limits and I should not be contacting the IT staff directly.

Upon further inquiry, I learned that the membership data are regarded as the property of each conference, and I would need to procure a letter from each conference stating that their executive committee had voted to grant me access to their data. This was also the case when I contacted GCAS regarding audit reports that I was missing.

### **Summary**

The focus of this study was to explore the correlation between organizational effectiveness and use of funds in SDA conferences in the U.S. Since the complete population is a finite sample of 50 entities, attempts were made to include the full data set in the study. Data were collected both at the GC-A and from each conference directly.

Year-end audited statements, Financial Activity reports, and statistical records were used.

## CHAPTER 4

### DATA ANALYSIS

#### **Introduction**

The purpose of this study was to explore organizational effectiveness in an NPO by looking at the correlation of financial and membership data in 13 SDA conferences in the U.S. The findings of this study are presented in this chapter. Multiple linear regression between independent and dependent variables over a period of 12 years was used to explore patterns that reveal predictive relationships.

Seven models were tested, each with two separate dependent variables. This was repeated for each of the 12 years of the study, resulting in a total of 168 independently tested null hypotheses. Rather than present each null hypotheses in a traditional way, I have chosen to present them in tables following the research question format. The seven research questions are as follows:

1. Does a cash flow model of conference operations, including variables on liquidity, working capital, and self-support, predict effective member recruitment?
2. Does a debt service model of conference operations, including variables on debt for plant development, total liabilities, and average debt per member, predict effective member recruitment?
3. Does a member donation model of conference operations, including variables on total tithe, average tithe per member, and tithe as ratio of net worth, predict effective

member recruitment?

4. Does an organizational effectiveness model of conference operations, including variables on church ministry, education, and administration, from yearly audit statements predict effective member recruitment?

5. Does an organizational effectiveness model of conference operations, including variables on church ministry, evangelism, education, and administration, from yearly financial activity statements predict effective member recruitment?

6. Does an organizational effectiveness model of conference operations, including variables on church ministry, education, and administration, as a ratio of tithe donations, predict effective member recruitment?

7. Does an organizational effectiveness model of conference operations, including variables on church ministry, education, and administration, as a ratio of recruitment, predict effective member recruitment?

### Participants

Data from 13 conferences were included in this study. Inquiries were made to gather data from all 50 conferences in the population, but complete and usable data were not available from all 50. After gathering data from the General Conference Archives, it became clear that additional information was needed directly from each conference. Attempts were made to contact them all through phone calls and emails. Twenty-one conferences replied by sending some data, or a 42% response rate, but of these only 13 had adequate data to be included in this study.

The work of the SDA church in the U.S. is organized into eight union conferences. At least one conference from each union was included in the current study.

Some of the unions organize ethnic conferences, called regional conferences, with the purpose of reaching a specific ethnic population. Each of these regional conferences was asked to submit data for participation in the study.

Table 10 provides summary data of the 13 conferences in 1997, at the beginning of the study, and in 2011, the most recent data available. These provide a good representation of the 50 SDA conferences in the U.S. While these conferences vary in size, and all experienced increase in membership and tithe donations, four of these conferences recruited fewer new members in 2011 than they did in 1997.

#### Variable Data

A complete listing of all variable descriptors can be found in Appendix A, Table A2. This table includes mean, standard deviation, skewness, and kurtosis for all variables in this study. As mentioned above, the data are not normal, as skewness and kurtosis results demonstrate, limiting the results to a description of the population under study.

#### Missing Data

Because a large portion of the data from conferences was not made available, and was thus considered missing data, I was not able to use the complete data set of 50 conferences as initially intended. For the 13 conferences used in my study, missing data were handled by (a) narrowing the time series from the original target of 1991-2010 to the most complete data set available from GC-A or 1997-2008, and (b) by using only those conferences that returned complete and comparative data, resulting in a sample of 13 conferences.

There were an additional three sets of missing data. Two conferences were missing the audit report for a single year. This was replaced by comparative summary

function numbers from each conference, the Financial Activity Year-end Report. While this is not a completely identical number, it can be considered relatively close and adequate data for the purpose of this study. One conference did not have a Financial Activity Year-end Report for 1997. As this was the first year in the time series, I decided to repeat the numbers for 1998 for that one conference.

Table 10

*Description of Participating Conferences*

ID	Membership		Recruitment		Tithe	
	1997	2011	1997	2011	1997	2011
001	10,448	15,724	368	725	\$8,412K	\$15,606K
002	2,317	2,361	137	96	\$1,652K	\$2,467K
003	11,359	13,137	422	286	\$7,824K	\$11,403K
004	5,710	7,647	227	280	\$4,647K	\$8,120K
005	6,179	7,376	223	217	\$4,505K	\$6,543K
006	9,891	11,133	301	355	\$6,970K	\$10,179K
007	11,231	11,385	325	251	\$7,381K	\$10,616K
008	5,428	6,530	165	166	\$3,717K	\$5,449K
009	21,797	25,552	687	592	\$16,185K	\$24,027K
010	4,709	8,792	347	382	\$3,389K	\$6,241K
011	12,989	20,315	624	723	\$12,723K	\$20,303K
012	23,741	35,990	917	1,153	\$21,639K	\$40,671K
013	27,615	47,509	1,796	2,256	\$18,334K	\$39,743K

*Note:* Tithe donations in real figures.

### Regression Analysis

The primary question under study is that of organizational effectiveness. The work of Abraham (2006) has provided a theoretical framework for the primary research questions. Abraham proposed a ratio analysis with finances set in a ratio to mission, for effectiveness. Her suggestions centered on four issues: (a) adequate cash flow, (b) use of



debt and finance management, (c) member support, and (d) efficient and effective use of finances. All four areas are addressed in this study, but in order to explore effectiveness in more depth, four questions were designed to focus on the fourth area. Following are results that relate to each of the research questions presented in this study. A complete list of model variable results can be found in Appendix C.

### Hypothesis 1

Hypotheses 1: A cash flow model of conference operations, including variables on liquidity, working capital, and self-support, will predict effective member recruitment.

There was no predictive relationship found between cash flow model and membership growth. Both numerical growth and percentage growth demonstrated similar results. Table 11 presents the results for cash flow model relative to numerical growth, and Table 12 presents the results of a cash flow model relative to percentage growth. The only data that had model significance  $< .05$  was in relationship with numerical growth for the year 2001.

Only four variable data points demonstrated a significance of less than .05 with liquidity and working capital presenting one data point each for numerical growth, and percentage of self-support showing one significant data point for each relationship.

In contrast to the significance found for 1 year in relation to numerical growth, there were no model significance indicators for cash management when controlled for size of the organization. Percentage growth shows no relationship to cash management. From the above it can be concluded that there is no substantive predictive relationship with the cash flow models and neither numerical nor percentage growth.

Table 11

*Multiple R and Model Significance for Cash Flow as Predictor of Numerical Growth With Significant Beta (<.05) by Year*

Year	97	98	99	00	01	02	03	04	05	06	07	08
Ratio01					1.21							
Ratio03					-1.45							
Ratio08				0.57								
R	0.64	0.63	0.53	0.72	0.80	0.67	0.68	0.58	0.47	0.53	0.40	0.27
Sig	.17	.19	.38	.07	.02	.13	.12	.28	.49	.37	.66	.87

Note. Ratio01=liquidity, Ratio03=working capital; Ratio08=self-support; N=13.

Table 12

*Multiple R and Model Significance for Cash Flow as Predictor of Percentage Growth With Significant Beta (<.05) by Year*

Year	97	98	99	00	01	02	03	04	05	06	07	08
Ratio01												
Ratio03												
Ratio08			-0.67									
R	0.68	0.57	0.68	0.30	0.18	0.24	0.65	0.53	0.48	0.46	0.47	0.33
Sig	0.12	0.30	0.12	0.82	0.96	0.91	0.16	0.37	0.47	0.52	0.50	0.78

Note. Ratio01=liquidity, Ratio03=working capital; Ratio08=self-support; N=13.

## Hypothesis 2

Hypotheses 2: A debt service model of conference operations, including variables on debt for plant development, total liabilities, and average debt per member, will predict effective member recruitment.

The data provide mixed results. The debt service model correlating with numerical growth was significant (Table 13), while the debt service model correlating with percentage growth (Table 14) was not found to be significant. The first one was

significant every year of the study, except for 1999, when there was a slight change in the predictability of the model.

Table 13

*Multiple R and Model Significance for Debt Management as Predictor of Numerical Growth With Significant Beta (<.05) by Year*

Year	97	98	99	00	01	02	03	04	05	06	07	08
Ratio09												
Debt/M	-0.47	-0.48	-0.60	-0.48	-0.71	-0.66	-1.06	-0.97	-1.28	-0.82	-0.95	-1.06
TotLiab	0.96	0.85	0.64	0.82	0.86	0.88	1.13	1.12	1.38	0.98	1.06	1.11
R	0.89	0.83	0.69	0.82	0.79	0.80	0.82	0.81	0.92	0.91	0.91	0.83
Sig	0.00	0.01	0.10	0.02	0.03	0.02	0.01	0.02	0.00	0.00	0.00	0.01

*Note.* Ratio09=debt for plant investment, Debt/M=average debt per member; TotLiab=total liability; N=13.

Table 14

*Multiple R and Model Significance for Debt Management as Predictor of Percentage Growth With Significant Beta (<.05) by Year*

Year	97	98	99	00	01	02	03	04	05	06	07	08
Ratio09												
Debt/M												
TotLiab												
R	0.58	0.45	0.43	0.49	0.48	0.28	0.56	0.44	0.52	0.45	0.36	0.51
Sig	0.278	0.541	0.595	0.466	0.474	0.852	0.315	0.574	0.391	0.546	0.725	0.409

*Note.* Ratio09=debt for plant investment, Debt/M=average debt per member; TotLiab=total liability; N=13.

A closer look at the beta coefficients for the variables shows that debt for plant development (Ratio09) was not significant in either model. On the other hand, both total liabilities and debt as a ratio of membership were a significant predictor when the debt service model was correlated with numerical growth, even in 1999 when the model was not significant. Total liability had greater significance, and also a larger effect size, than

debt measured as a ratio of each member (Table 13). In addition, debt as an average per member was negatively correlated every year. Thus I would conclude that increased debt is a predictor of recruitment results, but this is also tempered by overall debt per each organization member. Thus while debt can help recruitment, it is modified by organizational size.

It is possible that larger organizations, that have more money to work with and can manage greater amounts of debt, simply have greater number of recruitments each year. This does not indicate greater effectiveness as the relationship with percentage growth, which levels out the comparison between large and small organizations, is not significant.

This seems to be supported by the model with percentage growth where there was no predictive relationship between debt management and percentage growth (see Table 14). Thus, I find no relationship between recruitment and debt when controlling for size of the organization by using percentage growth, but numerical growth numbers have a predictive relationship with percentage of debt relating to fixed assets, total liabilities, and liabilities per each member.

This is not just a question of debt and recruitment, but debt per each member in the organization. While total volume of debt is a predictor of growth, it is important to limit debt relative to each organizational membership. This is further augmented with data correlated to percentage growth, which has no significance. Thus debt management does not demonstrate effectiveness.

### Hypothesis 3

Hypotheses 3: A member donation model of conference operations, including

variables on total tithe, average tithe per member, and tithe as ratio of net worth, will predict effective member recruitment.

Again results are mixed, with the member donation model correlated with numerical growth (Table 15), but not with percentage growth (Table 16). The member support models provide the same overall indication as the earlier one with debt management, demonstrating a size effect, but no effectiveness effect. With a larger organization, one can expect greater number of recruitments, but not greater effectiveness.

Table 15

*Multiple R and Model Significance for Member Financial Support as Predictor of Numerical Growth With Significant Beta (<.05) by Year*

Year	97	98	99	00	01	02	03	04	05	06	07	08
T/H				0.30								0.28
Tithe	0.96	0.87	0.72	1.00	0.86	0.97	0.97	1.01	1.02	1.01	1.01	1.11
T/Memb				-0.17				-0.18		-0.62	-0.34	-0.34
R	0.87	0.81	0.78	0.91	0.87	0.91	0.88	0.91	0.94	0.92	0.92	0.95
Sig	.003	.016	.033	.001	.004	.001	.003	.001	.000	.000	.000	.000

*Note.* T/H=tithe as ratio of net worth; Tithe=tithe; T/Memb=average tithe per member; N=13.

A closer look at the model correlating numerical growth shows greater difference between the variables in the model. Tithe or overall member support is strongly correlated with high significance and high beta coefficient across all 12 years when correlated with numerical growth. This should not come as a surprise, as the size of an organization should be some indicator of the number of new recruitments. Although tithe as a ratio of net worth (T/H) was included in the model, it did not demonstrate variable

significance except for 2000 and 2008. It can thus be discarded as a predictor of recruitment efforts.

Table 16

*Multiple R and Model Significance for Member Financial Support as Predictor of Percentage Growth With Significant Beta (<.05) by Year*

Year	97	98	99	00	01	02	03	04	05	06	07	08
T/H												
Tithe												
T/Memb												
R	0.56	0.12	0.22	0.51	0.15	0.25	0.33	0.21	0.47	0.37	0.72	0.53
Sig	.317	.986	.925	.415	.975	.895	.775	.937	.502	.705	.075	.367

*Note.* T/H=tithe as ratio of net worth; Tithe=tithe; T/Memb=average tithe per member; N=13.

A surprise finding was the correlation of average member support or T/Memb ratio. While it was not as consistent as tithe by itself, it still showed significance in the model, demonstrated a pattern, and was negatively correlated to numerical growth. The size of the coefficient was not very large, but still significant and needs to be taken into consideration. These numbers seem to indicate that with reduced average member support, a corresponding increase in recruitment occurs.

When correlated with percentage growth, there was no predictive relationship between member's support and member recruitment. Abraham (2006) points out that "mission, members, and money" are the essence of NPOs, and an effective organization should be expected to show strong correlation between member support and its primary mission. That is not the case here. In fact it is possible that the data are indicating that with greater financial support, a greater waste of resources occurs.

## **Effectiveness**

The four remaining research questions all center on the effectiveness of operations, which is the main focus of this study. The financial accounting records of the SDA church follow generally accepted accounting principles for fund accounting, providing a rather consistent record across all conferences. While fund accounting provides multiple categories, I chose to explore variables in four models that I expected to impact membership growth. These are church ministry and pastoral service; education efforts; administration; and direct evangelism or recruitment efforts, within SDA conferences.

Each model was correlated with numerical growth and with percentage growth. Thus a total of eight models were tested on effectiveness in order to explore potential predictive relationships between financial data and membership growth as a measure of effectiveness. Of these eight models, only three had any model significance as a predictive relationship (Tables 17, 18, and 24) over the entire time period.

It is noteworthy that when relating to numerical growth, both audited and financial activity statements showed a predictive relationship. Model significance was almost identical and *R* levels followed a very similar pattern. But when correlated with percentage growth, neither one showed substantial significance.

The strongest predictor from both the audited and financial activity statement was church ministry and pastoral services (C&P), being positively related to numerical growth. This seems to indicate that as more resources are placed in pastoral and program services, more recruitments are made. This does not necessarily indicate effectiveness,

but rather a relationship where greater resources lead to higher numerical recruitment growth.

Table 17

*Multiple R and Model Significance for Organizational Effectiveness as Predictor of Numerical Growth With Significant Beta (<.05) by Year*

Effectiveness Model and Variables Based on Audited Statements												
	97	98	99	00	01	02	03	04	05	06	07	08
Aud C&P				1.88	1.69	1.54	2.31	2.26	2.49	2.29	2.01	2.30
Aud Ed				-0.95			-1.53	-1.34	-1.52	-1.40	-1.14	-1.40
Aud Adm	0.84						-0.36	-0.44	-0.31			
R	0.97	0.89	0.80	0.95	0.90	0.88	0.94	0.93	0.96	0.93	0.96	0.98
Sig	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Note. AudC&P=church and pastoral ministry, AudEd=education; AudAdm=administration; N=13.

Table 18

*Multiple R and Model Significance for Organizational Effectiveness as Predictor of Percentage Growth With Significant Beta (<.05) by Year*

Effectiveness Model and Variables Based on Audited Statements												
	97	98	99	00	01	02	03	04	05	06	07	08
Aud C&P				1.80					2.96		1.84	2.92
Aud Ed				-1.76					-2.54			-2.58
Aud Adm	1.21								-0.78			
R	0.70	0.61	0.20	0.66	0.51	0.48	0.68	0.61	0.72	0.59	0.61	0.79
Sig	0.10	0.23	0.94	0.14	0.42	0.48	0.12	0.22	0.08	0.26	0.23	0.03

Note. AudC&P=church and pastoral ministry, AudEd=education; AudAdm=administration; N=13.



At the same time education was negatively related to numerical growth in both models. At first glance this may indicate that the more resources placed in education at the organizational level, the less numerical recruitment took place. But it is important to keep in mind that this correlation does not take into effect the resources placed in education at the local church level, either as church subsidy or as tuition income. Here we are only measuring the impact that resources at the conference level have on recruitment. There was only one model that demonstrated model significance when related to percentage growth (Table 24). This was when the three main categories were presented as a ratio of recruitment. In other words, when church ministry and pastoral services, education, and administration were calculated as a ratio of new recruitments, a significant predictive relationship was found. Following are the results for the hypotheses on effectiveness.

Table 19

*Multiple R and Model Significance for Organizational Effectiveness as Predictor of Numerical Growth With Significant Beta (<.05) by Year*

Effectiveness Model and Variables Based on Financial Activity Statements												
	97	98	99	00	01	02	03	04	05	06	07	08
C&P	1.39					1.86	1.91	1.75	1.38	1.43	1.22	1.57
Evang		1.01		0.59								
Ed				-0.47	-0.66		-0.42				-0.55	
Adm				1.08			-0.56					-0.55
R	0.93	0.98	0.88	0.98	0.94	0.96	0.98	0.96	0.97	0.94	0.96	0.96
Sig	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

*Note.* C&P=church and pastoral ministry, Evang=evangelism; Ed=education; Adm=administration; N=13.

## Hypothesis 4

Hypotheses 4: An organizational effectiveness model of conference operations, including variables on church ministry, education, and administration, from yearly audit statements will predict effective member recruitment.

Of the four effectiveness models tested against numerical growth, the audited statement provided the strongest predictive correlation. Both significance and *R* indicated a healthy model correlation and variables had significant beta values for multiple years, affirming this research question when correlating with numerical growth. As the audited statements included a greater array of ministry services lumped together with the chosen variables, this may indicate that other services are actively contributing to membership numerical growth.

Table 20

*Multiple R and Model Significance for Organizational Effectiveness as Predictor of Percentage Growth With Significant Beta (<.05) by Year*

Effectiveness Model and Variables Based on Financial Activity Statements												
	97	98	99	00	01	02	03	04	05	06	07	08
C&P				-1.63			1.59					
Evang											0.66	
Ed							-1.17					-1.99
Adm												
<i>R</i>	0.44	0.79	0.44	0.78	0.43	0.50	0.79	0.45	0.41	0.53	0.67	0.72
<i>Sig</i>	0.75	0.07	0.74	0.08	0.77	0.62	0.07	0.74	0.81	0.57	0.25	0.16

*Note.* C&P=church and pastoral ministry, Evang=evangelism; Ed=education; Adm=administration; *N*=13.

Church ministry and pastor services had the largest impact on the model, with education demonstrating a smaller and a surprising negative correlation effect. Administration also demonstrated a pattern, although a smaller one, with negative correlation with numerical growth.

This was not true when correlated against percentage growth. Here I found model significance only for the year 2008, and must say that the model does not affirm the research question when correlated with percentage growth. Only a scatter of variables provided significance within the model, and their effect size and direction were somewhat reflective of the data correlated with numerical growth.

#### Hypotheses 5

Hypotheses 5: An organizational effectiveness model of conference operations, including variables on church ministry, evangelism, education, and administration, from yearly financial activity statement will predict effective member recruitment.

The data provide a very similar answer to question 5 as to question 4. The model is confirmed when correlated with numerical growth, but not when correlated with percentage growth, thus providing a size effect but not demonstrating effectiveness. The size of the effect and direction of variable significance were similar to the results from the audited statements, but effect size was slightly smaller overall.

It was surprising to me to see that data from the financial activity statement provided a slightly smaller relationship with numerical growth than did the data from the audited statement, because I was able to pull data specifically related to church ministry and pastoral service in this model and thus provide a more targeted model than with the

audited statement. I expected to see a stronger relationship when pastoral services and church ministry were central in the variable and not lumped together with other services.

The data do not allow me to decipher the reason for these results, but it can mean that other services and ministries are providing material impact on recruitment numbers, that church ministry and pastoral services are not very effective, or that evangelism is adversely influencing the model.

Education demonstrated a negative correlation just as with the data from the audited statements. Administration presented only three variable significance data for numerical growth and no variable significance for percentage growth. Evangelism was only present in this one model, as it was included in church ministry and pastoral services data in the audited statements and could not be pulled out as a separate variable except in the financial activity statement. While it was part of a significant model correlated with numerical growth, it had very little variable significance when predicting numerical growth or percentage growth. It must thus be concluded that evangelism efforts, funded at the conference level, are not effective in recruiting new members.

### Hypotheses 6

Hypotheses 6: An organizational effectiveness model of conference operations, including variables on church ministry, education, and administration, as a ratio of tithe donations, will predict effective member recruitment.

Model significance was not found to predict either numerical (Table 21) or percentage growth (Table 22), when tithe was used as a factor on church ministry, education, and administration. While tithe as a variable was found to be correlated with

Table 21

*Multiple R and Model Significance for Organizational Effectiveness as Predictor of Numerical Growth With Significant Beta (<.05) by Year*

Effectiveness Model and Variables Based on Tithe Ratio												
	97	98	99	00	01	02	03	04	05	06	07	08
C&P												
Ed												
Adm						-0.62		-0.64	-0.72	-1.05	-0.74	-0.73
R	0.49	0.56	0.47	0.57	0.58	0.59	0.58	0.63	0.72	0.63	0.60	0.65
Sig	0.46	0.31	0.50	0.29	0.27	0.25	0.28	0.19	0.07	0.19	0.23	0.16

*Note.* C&P=church and pastoral ministry, Ed=education; Adm=administration; N=13.

numerical growth, there was no such relationship when tithe was used to create ministry to tithe ratios. Administrative cost, as a variable, revealed a pattern of negative correlation for 6 of the latter 7 years of the study, when correlated with numerical growth.

Table 22

*Multiple R and Model Significance for Organizational Effectiveness as Predictor of Percentage Growth With Significant Beta (<.05) by Year*

Effectiveness Model and Variables Based on Tithe Ratio												
	97	98	99	00	01	02	03	04	05	06	07	08
C&P												
Ed							-0.71		-0.69			
Adm							-0.80					
R	0.52	0.73	0.43	0.28	0.50	0.49	0.77	0.52	0.68	0.59	0.63	0.59
Sig	0.40	0.07	0.60	0.86	0.43	0.47	0.04	0.40	0.12	0.26	0.20	0.26

*Note.* C&P=church and pastoral ministry, Ed=education; Adm=administration; N=13.

While model significance with tithe as a ratio did not produce a predictive pattern, I found one year when the model was significant for percentage growth. This was for the year 2007, when model significance was  $<.04$  and both education and administration also demonstrated variable significance for that same year. Here both administration and education variables were negatively related with percentage growth, affirming the direction revealed in models above.

### Hypotheses 7

Hypotheses 7: An organizational effectiveness model of conference operations, including variables on church ministry, education, and administration, as a ratio of recruitment, will predict effective member recruitment.

Table 23

*Multiple R and Model Significance for Organizational Effectiveness as Predictor of Numerical Growth With Significant Beta ( $<.05$ ) by Year*

Effectiveness Model and Variables Based on Recruitment Ratio												
	97	98	99	00	01	02	03	04	05	06	07	08
C&P									-0.60			
Ed									0.84			
Adm									-0.92	-0.88		-0.10
<i>R</i>	0.63	.061	0.72	0.57	0.56	0.55	0.59	0.67	0.91	0.80	0.69	0.77
<i>Sig</i>	0.19	0.22	0.07	0.30	0.30	0.33	0.26	0.13	0.00	0.02	0.11	0.03

*Note.* C&P=church and pastoral ministry, Ed=education; Adm=administration;  $N=13$ .

The answer is mixed. Overall the model correlating with numerical growth (Table 23) was not significant although there was significance found for 3 of the last 4 years of the study. On the other hand, when correlated with percentage growth (Table 24) the

model was significant. What was most interesting is that for all the significant variables, except one, the direction of the significant beta was negative.

Table 24

*Multiple R and Model Significance for Organizational Effectiveness as Predictor of Percentage Growth With Significant Beta ( $<.05$ ) by Year*

Effectiveness Model and Variables Based on Recruitment Ratio												
	97	98	99	00	01	02	03	04	05	06	07	08
C&P	-0.65	-0.54	-0.65	-0.56	-0.82	-0.60		-0.79	-0.70	-0.52	-0.60	-0.68
Ed	-0.47											
Adm												
<i>R</i>	0.95	0.92	0.85	0.86	0.93	0.95	0.92	0.95	0.93	0.90	0.90	0.94
<i>Sig</i>	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

*Note.* C&P=church and pastoral ministry, Ed=education; Adm=administration;  $N=13$ .

Overall, both education and administration variables had few significant data points, but church ministry and pastoral services were consistently significant when correlated against percentage growth. This was encouraging and might indicate some effectiveness, except that the direction for all variable data points is negative.

The last four hypotheses on effectiveness were explored through a total of eight different models, four separate models correlating each with two dependent variables, in order to explore potential options on predicting member recruitment. Of the eight models tested, three had a positive predictive significance at the model level. Two correlated with numerical growth, and one correlated with percentage growth.

### Summary

This chapter has presented the findings of a time-series analysis of 13 conferences

as their finances relate to recruitment numbers in an effort to evaluate the effectiveness of their operations. Financial data were correlated with numerical growth as well as with percentage growth in an effort to control for size.

The findings do not provide a conclusive model for demonstrating effective operations when relating finances to mission. Yet there are indicators that pastoral services have a rather positive effect on recruitment, while education and administrative services have a negative correlation on recruitment. It was also found that cash management had no predictive value on recruitment, while member support and debt management provided mixed results.



## CHAPTER 5

### SUMMARY, DISCUSSIONS, AND RECOMMENDATIONS

#### **Summary**

The NPO sector is one of the fastest growing sectors of the U.S. economy, with an estimated 25% of the adult population volunteering their time with an NPO. There is great disparity in available resources with 4% of NPOs spending 85% of the funding in this segment of the U.S. economy. While it is of great importance to manage these resources well, organizational effectiveness in NPOs has proven difficult to define, measure, and replicate (Dart, 2010; Eckerd & Moulton, 2011; Forbes, 1998; Lecy et al., 2011; Ritchie & Kolodinsky, 2003; Sowa et al., 2004).

The NPO effectiveness literature is rooted in the general organizational effectiveness research, but there are some significant differences between for-profit organizations and not-for-profit organizations, relating to ownership, homogeneity of measure, and bottom-line measure (Lecy et al., 2011; Speckbacher, 2003). This difference is perhaps why defining or measuring NPO effectiveness has proven so elusive, and why it is so important to have a clear mission statement (Abrahams, 1995). Effectiveness measures are even more important for an NPO where the mission is not profitability, but changed lives (Drucker, 1990, p. xiv).

The literature on NPO effectiveness is fragmented, and lacks consensus and direction (Baruch & Ramalho, 2006; Forbes, 1998; R. D. Herman & Renz, 1999; Lecy et

al., 2011; Ritchie & Kolodinsky, 2003). Even basic terms are not uniformly used. Because of the great diversity of purpose and mission among NPOs, and because profitability as a key measure is not a viable measure to judge effectiveness, it is imperative to categorize the NPO segment based on primary features and compare NPOs within each segment, rather than between segments.

Even basic definitions are not agreed upon and the literature is lacking empirical studies (Lecy et al., 2011). A majority of published articles have focused on theories of effectiveness, and few empirical articles have been published to test those theories (Brown, 2005; Forbes, 1998; Lecy et al., 2011; Ritchie & Kolodinsky, 2003).

Four approaches to NPO effectiveness have received the most attention over the years. These are goal attainment, systems resource approach, complex frameworks, and emergent approach (Forbes, 1998; Lecy et al., 2011). Because of the difficulty in finding a single measure for NPO effectiveness, many researchers have abandoned the goal attainment approach in favor of the more complex approaches. I argue that goal attainment should still play a role in NPO effectiveness, but can be used only when a clear mission has been defined and stated.

The inclusion of finances in effectiveness measures has been debated, but recent studies have suggested that they have a part to play (Abraham, 2006; Brown, 2005; Herzlinger, 1996; Kaplan, 2001; Ritchie & Kolodinsky, 2003). These include: fundraising efficiency; public support; fiscal performance; total revenues; operating budget; and financial reserves. Moxham (2009) recommend four drivers for measuring effectiveness in an NPO: finances, achievements, operations, and continuous

improvement. A closer look at his data reveals that only financial data and demonstrated achievement were present in all six NPOs in his study.

Based on the literature, I would suggest that financial measures in relation to the NPO's mission are an appropriate way to look at effectiveness. Herman (1990, p. 298) called for the use of financial information and expense items, "in combination with other nonfinancial measures," and Abraham (2006) recommends that (a) adequate cash flow, (b) the use of debt and finance management, (c) member support, and (d) the efficient and effective use of finances be considered when evaluating NPO effectiveness.

What is effectiveness in operations? Researchers have not come to an agreement, using multiple terms and various definitions interchangeably (Baruch & Ramalho, 2006; Forbes, 1998; Lecy et al., 2011), with each theorem proposing a different definition. I agree with Herman and Renz (2008) that an effectiveness measure is of little practical use unless it has comparative value, and it must relate to the purpose or mission of the organization (Dart, 2010, p. 205). Therefore, I define effectiveness as the level of desired effect, in comparison with a level of actual effect produced in a similar entity or time frame.

One of the realities that NPO effectiveness studies face is a shortage of empirical research (Stone & Sandfort, 2009) that reflect the realities of ministry and service to mankind. This is partly due to the complexity such measuring meets and also due to the difficulty in gaining access to data. For the business world, publication of financial data is regulated, but no such measure exists for NPOs.

This study focuses on a religious organization, the SDA church in the U.S., one of the fastest growing denominations in the U.S. (MacDonald, 2011) and classified in the

religion category of IRS classification. While operating at four levels of administration, the local church belongs to a geographic unit or conference, which is a legally independent organization. Fifty SDA conferences operate in the U.S.

The SDA church has a formal mission statement, published by their GC, that provides a measure for effectiveness. Part of their mission statement states their desire to “unite” new members with the “church” (General Conference, 2012). Thus recruitment of new members can be used as a dependent variable in effectiveness studies.

### **Methodology**

Financial data, relating to cash flow, debt management, and expense categories from conference year-end statements were collected from a 12-year period. Membership data, relating to recruitment and member financial donations, were gathered from the same time period, and these numbers were then run through a regression statistical analysis in order to look for predictive relationships between the use of funds and mission effectiveness.

Audited financial statements and conference summary statements (NAD F50) were received from GC-A. These provided a reliable and consistent record of financial activity, grouped together in major activity functions. Year-end summary statements of financial activity from operating funds were received from each of the participating conference, which provided greater detail and allowed me to group together a selective group of function, in order to search for stronger relationships between variables.

Membership and tithe donation records are published by the General Conference Office of Archives and Statistics each year. I received copies of these reports from the GC-A. The statistical reports included records of total membership, yearly baptism, as

well as yearly increases through profession of faith. The statistical report also included information on member tithe donations that I used in the study. The baptismal information was added to the number of professions of faith for each year, to reach a total number of new recruits for the year. The sum of new recruits was then divided by the total membership number at the beginning of the year in order to have a percentage growth figure for each conference. Both the numerical recruitment number and the percentage increase number were used as dependent variables in the study in order to look for efficiencies. The percentage increase number allowed for correlations to be calculated without reference to size of organization.

Attempts were made to seek data from all 50 conferences in the U.S. When the GC-A was not able to locate their complete records, I turned directly to the treasury offices in each conference and sought their help. I am grateful for the good will and support I received from every office, especially as I was contacting them and asking for data in the middle of their year-end report and auditing processes. Twenty-one conferences sent me data, and of these 13 had consistent and complete data that I was able to use in this study. In order to enhance the comparison between years, all financial data were converted through the use of the published Consumer Price Index and brought up to 2008 values. This was the last year that full data were available for the conferences in the study, and thus the year that I converted dollar values to.

Correlation does not necessarily indicate cause and effect, but it does explain how closely related two variables are, providing a measure of predictability. By considering relationships between financial data and membership recruitment over a period of 12 years, I expected patterns to become evident. These in turn would help to explain how the

variables interact with each other, and whether a predictive element that can be utilized in administrative practices exists.

Based on the work of Abraham (2006) models were selected to correlate cash flow, debt service, and member support. These three models relate to the first three of four questions Abraham raises for effectiveness measures. The fourth question relates more directly to effectiveness, and in order to explore various ways to measure effectiveness, I chose four models to test. These four models used three similar variables, but derived in a different way. One took financial data from year-end audit statements and one from year-end financial activity statements. Two additional models took the same variables and made them a ratio of member-supported tithe donations and new recruitments. One additional variable, evangelism, was added to the model based on the financial activity statement. This was done as it was assumed that evangelism expenses would provide a predictive correlation to recruitment as this represented direct funding of such activity from the conference level, and was only available as a variable on the financial activity statement.

Generalizability concerns itself fundamentally with the question of how the data from a sample population reflect “their corresponding true score” in a defined context (Shavelson, Webb, & Rowley, 1989). Since the population I used is finite, I chose to include all 50 units in the population in the study. Although 13 conferences was the final count of conferences that provided complete data, they reflect the total population well.

Since the data are based on audited financial statements, it is assumed that the data accurately reflect actual expenses and thus can be trusted. In the same way, trust is placed in the accuracy of the membership recruitment statistical data as the process of

reporting and collecting data is standardized with checks and balances to ensure maximum accuracy.

### **Limitations**

This study is limited by the population size. Since I have chosen to look at the organizational level of religious NPOs, in general, and Seventh-day Adventist conferences in North America in particular, I am limited to a total population of 50 conferences.

Secondly, data were collected from archived records, thus representing secondary data. Permission was requested, and given, to collect and record data from the General Conference archives, as well as from local conference archives of past records.

In addition, this study was limited by available data. Access was not gained for relevant demographic data of membership recruitment. Neither was I able to gain access to all requested financial data, forcing me to scale back the study and use what became available. This affected both the scope of data and the length of time explored in this time-series analysis.

Initially, I intended to correlate financial data with different age groups of recruitments. As I was not able to gain access to the necessary segmentation of recruitment data, I was not able to follow through with my original intent.

In models where tithe (Tables 21 & 22) and recruitment (Tables 23 & 24) are used to calculate ratios for effectiveness measure, I recognize that multicollinearity may be a factor (Hair, Black, Babin, Anderson, & Tatham, 2006; Ott, 1993). The independent variables in these four models are related through ratio calculation, thus multicollinearity is present. The question is one of degree of correlation but does not invalidate the models.

Finally, as I worked with the available data it became apparent that not one regional conference, these are conferences that focus on reaching minorities, ended up in the study because adequate data were not returned. Four regional conferences graciously submitted data. One did not include all the years needed, and three submitted a different financial statement than requested. These were thus excluded from the study.

## **Results**

With seven models tested against two dependent variables for 12 years, the total number of 168 null hypotheses would make it difficult to follow if presented in paragraph form, thus they were presented in table form in Chapter 4 and presented here in discussions organized around the seven research questions. These research questions follow a framework given by Abraham (2006) where she suggests that cash flow, debt and financial management, and member support are all relevant variables for measuring organizational effectiveness. Then four questions explore effectiveness measures by looking at different data sources and ratios.

Question 1 asked: Does a cash flow model of conference operations, including variables on liquidity, working capital, and self-support, predict effective member recruitment?

No significance was found for the predictive relationship between cash flow models and new recruitment numbers. This was true, both for numerical growth and for percentage growth. The one data point that had significance at  $<.05$  was for 2001 where liquidity and cash flow were also significant as variables. While liquidity had a positive relationship, working capital was negatively correlated (-1.45) indicating that higher working capital kept on hand resulted in less membership recruitment in the conference.



While conferences place great care on cash flow management and working capital requirements, this is done more for sustainability than for mission success. In fact, it seems that use of cash to the point of drawing down the working capital may present an opportunity to increase recruitment levels, but at a risk of becoming vulnerable in future years.

Question 2 asked: Does a debt service model of conference operations, including variables on debt for plant development, total liabilities, and average debt per member, predict effective member recruitment?

The answer here is mixed. When we look at the debt model in relation to numerical growth, we find significance to the relationship. That is, two of the debt variables are positively correlated with numerical growth and present a predictable pattern. Total liability, as a variable, is positively related to numerical growth, indicating that the higher the debt, the higher the recruitment. On the other hand, average debt per member as a variable is negatively correlated with numerical growth and thus tempers the impact of total liability.

Thus we can conclude that, among the conferences that participated in this study, increased overall debt increased numerical growth. But there seems to be a limit where debt begins to have a contrary effect, because new recruitment seems to decrease as average debt per member increases. Where these two meet is a question that needs to be studied further.

When I looked at debt in relation to percentage growth, there was no significance and no predictive relationship found. Thus one might say that organizational debt may predict growth, up to a point. The larger the organization, the more debt can be used to

fuel recruitment, but the debt load seems to be limited to an average member ratio, and needs further research to determine how debt serves the operational effectiveness of an NPO.

Question 3 asked: Does a member donation model of conference operations, including variables on total tithe, average tithe per member, and tithe as ratio of net worth, predict effective member recruitment?

Again we have mixed results. In relation to numerical growth, we can say yes there is a positive and direct relationship between how much members give in support of the organization and how many new members are recruited each year. When the numbers are analyzed further, we see that the primary variable predictor of this model is tithe. It is significant every year of the study and is positively correlated with numerical growth. In other words, the more members give to the conference, the more the organization grows in membership.

Tithe donations as ratio of net worth (T/H) are also positively related but do not have the same significance in the model. There are only 2 years (2000 and 2008) where this variable has significance in the model, and there is no pattern found. Thus we can discount tithe as a ratio of net worth as a significant variable in predicting membership growth.

When we look at average tithe per member (T/Memb), we find that a pattern emerges, even though it is not as strong a predictor as tithe. For 5 of the 13 years, we find average tithe significant in predicting member recruitment, and four of these appear in the last 5 years of the study. What is noteworthy is that this relationship is negative, indicating that recruitment numbers diminish as the average donation per member

increases. These results are surprising in light of Abraham's (2006) framework, and needs to be explored further in future research.

The member support model was not found to be significant for any year when correlated with percentage growth. Neither did any variables in the model demonstrate significance.

Question 4 asked: Does an organizational effectiveness model of conference operations, including variables on church ministry, education, and administration, from yearly audit statements predict effective member recruitment?

The model was significant when correlated with numerical growth, but only significant for 2008, or the last year, when correlated with percentage growth. Church and pastoral services (C&P) demonstrated the most consistent pattern, of the three variables in the model, and were positively correlated for 10 of the 13 years in relation to numerical growth and 4 years when correlated with percentage growth.

Education and administrative costs were negatively correlated, as variables, to both numerical and percentage growth, except that administrative cost was positively correlated to growth in both models for the year 1997, or the first year of the study. On the other hand, there was no model significance when correlated with percentage growth, even though individual variables showed some significance for individual years within that model.

Question 5 asked: Does an organizational effectiveness model of conference operations, including variables on church ministry, evangelism, education, and administration, from yearly financial activity statements predict effective member recruitment?

Consistent with the previous model that used financial data from the audit reports, the effectiveness model from the financial activity statement was significant for numerical growth, but not for percentage growth. With both models showing the same kind of results, there is reason to accept the data as supporting a predictive relationship with numerical growth, but not percentage growth.

Again we see that church ministry and pastoral services had the most consistent variable significance, and education and administrative costs are negatively correlated with numerical growth; moreover, administrative cost does not have a single data point that has variable significance for percentage growth.

The financial activity statements allowed me to pull out one particular fund that relates to membership growth, or evangelism. These are funds that are set aside specifically for outreach and recruitment efforts within the conference. It was surprising to see that this variable had predictive significance only for 2 years when correlated with numerical growth (1998 and 2000) and 1 year when correlated with percentage growth (2007). These three significant data points were all positively correlated with growth.

Question 6 asked: Does an organizational effectiveness model of conference operations, including variables on church ministry, education, and administration, as a ratio of tithe donations, predict effective member recruitment?

The model was not significant for either numerical or percentage growth. There was only one year, 2003, where percentage growth presented a significance for the model, and here we saw both education and administration having variable significance with a negative beta relationship.

Administration cost was the only variable that had significance in the first model,

and all six data points were negatively correlated as a predictor of numerical growth. This is consistent with administrative cost in other effectiveness models and seems to confirm that administrative cost is ineffective in recruitment of new members. While church ministry and pastoral services had no significant data points, education was negatively correlated with percentage growth in 2003 and 2005 but not significant with any years when correlated with numerical growth.

Question 7 asked: Does an organizational effectiveness model of conference operations, including variables on church ministry, education, and administration, as a ratio of recruitment, predict effective member recruitment?

This was the only model that demonstrated a consistent predictive relationship with percentage growth. For every year of the study, there was model significance of  $<.05$  with church ministry and pastoral service being the lone variable that showed variable significance. The surprising finding was that this relationship was negative, suggesting a possible negative correlation between pastoral services and percentage membership recruitment, indicating significant ineffectiveness of church ministry and pastoral services in recruitment efforts.

Although research questions 4 and 5 demonstrated a positive predictive relation between church ministry and pastoral service and numerical growth, research question 7 presents the opposite relation between church ministry and pastoral services and membership growth. This may be an indicator of systemic ineffectiveness in operations.

Education cost did not show any predictive pattern in this model, with one significant point each for numerical and percentage growth. In the same way, administrative cost did not show a pattern, with no significance for percentage growth

and three negative data points for numerical growth.

## **Discussion**

One of the early researchers on organizational effectiveness stated that it was important to identify the organizational goals (Price, 1972). It is also important, based on the definition of NPO effectiveness used in this study, to be able to impact the level of outcome through management decisions. With a clear mission goal stated, I was expecting to see levels of organizational effectiveness increase or decrease in relation to financial decisions made by organizational leaders. In fact, this study demonstrates that it is possible to measure the impact of organizational decision making on its mission, over a period of time, and that goal-based measures should not be rejected as Baruch and Ramalho (2006) suggest.

This study has also demonstrated that finances can be used as a measure of NPO effectiveness (Bagnoli & Megali, 2011; Herzlinger, 1996; Kaplan, 2001), that empirical studies are feasible in the NPO sector (Forbes, 1998; Lecy et al., 2011), and that some of Abraham's (2006) suggestions are functional in NPO effectiveness studies. Cash flow and debt management can be questioned as relevant factors for predicting effective mission operations, but member support and function activities show promise as factors that can help define effectiveness in NPO operations.

While an NPO cannot enjoy the same simplicity of measurement as a for-profit corporation, the same principle applies in that one can measure the relationship of spending with outcome. In a for-profit corporation the outcome is cash profit, while the NPO is looking at changed lives (Drucker, 1990), but the relationship between funding and outcome is still present. Thus, it is reasonable to assume that the data revealed

through my study are a true reflection of inefficiencies in the operations of the NPOs studied.

Other measures may be used (Eckerd & Moulten, 2011; Tinkelman & Donabedian, 2007), and this study does not deny that nor detract from them. One could attempt to measure the impact the SDA church has on their members and public through their teaching and influence on personal health or weekly Sabbath observance. The SDA church has also been influential in promoting a belief in the Creator God and hope in a soon-coming Savior. These are all valid concepts that may be possible to measure, but two primary reasons precluded me from focusing on these. First, these were not stated clearly in the published mission statement of the SDA church, and secondly, they are much more difficult to measure than new recruitments to the organization.

#### Effective and Efficient?

As I have already stated, there is confusion in the literature as to how to define effectiveness, and multiple words are used interchangeably (Baruch & Ramalho, 2006; Shilbury & Moore, 2006). While many in the general business community regard effective and efficient as two different constructs, some effectiveness researchers have used them as synonyms (Baruch & Ramalho, 2006). Abraham (2004) uses the term “efficient and effective” when discussing ways to measure resource use, and seems to thus indicate that these two may be different constructs, but does not define how they are different.

Costa et al. (2011) also use both efficient and effective but they provide a definitive difference between the constructs. They suggest that efficient relates to the relative amount of resources used, while effective relates to the ability to achieve goals.

They further suggest that efficient may be a component of effectiveness. Tinkelman and Donabedian (2007) suggest that efficient may be calculated as a ratio of output and input. It is thus possible that while the literature is still fragmented on the definition of effective and efficient, that there may be a beginning of a consensus that the term efficient may shed further light on the operations of an organization. This study may advance understanding on these two constructs.

I would like to suggest that in this study both effectiveness and efficiency measures can be detected in the data. If effectiveness is the ability to achieve goals, then effectiveness can be detected by significance and size of  $R$ . Both model and variable data would contribute relevant information. Effectiveness would require (a) significance for model and variable, as well as (b) a high positive value for the beta co-efficient. Based on this, I conclude that use of tithe, and C&P are effective in producing numerical growth. Table 15 shows model significance, with variable significance and relatively high positive coefficient for tithe. And Tables 17 and 19 show model significance, with variable significance and high positive coefficient for C&P. At the same time, administration, evangelism, and education are not effective, even though they are part of the same model as church and pastoral service, because they are in either a negative relation or display very little significance as a variable.

If effectiveness relates to the ability to achieve a goal and efficiency is related to and is a component of effectiveness, presenting a measure of increased success relative to the resources used, then I suggest that efficiency can be determined by (a) requiring significance of model and variable, (b) displaying both positive and relatively high beta co-efficient, and (c) correlating with percentage growth rather than numerical growth.



The third criteria would control for the effect of volume with use of a ratio of growth, thus demonstrating efficiency as well as effectiveness. With this in mind, I conclude that while tithe and C&P demonstrate effectiveness, in the sense that they impact organizational growth, neither one is efficient in the NPOs of this study. Table 24 is the only table where a model is significant based on percentage growth, and here the significant variable (C&P) is negatively correlated.

### From Research to Practice

One challenge that effectiveness research faces is the acceptance of theory and literature in practice. Some organizational leaders prefer to hold on to their “established priorities and routines” (Forbes, 1998) while dismissing suggestions from research as distraction. While research has been inconclusive, and not given a clear picture of effectiveness, certain concepts and principles can be expected to emerge as they are applied in practice, and greater knowledge will be gained. Since leaders I have spoken with have repeatedly shown a desire and passion for their work, I have no doubt that the thoughts presented here will be reflected on and applied, where appropriate, in order to further the work of SDA conferences and increase their organizational effectiveness. These key leaders are “reflective practitioners” (Schon, 1983) and are key participants in furthering the work of effectiveness in NPOs generally and SDA conferences in particular.

Some NPO leaders tend to show slight reluctance in accepting suggestions for performance effectiveness measures as they fear that such measures would be used for accountability purposes or to implement punitive measures (Campbell, 2002). They are correct in showing reluctance, for one study found that when an NPO focuses on

accountability, they are not as successful in implementing changes from effectiveness measures as when those same measures are used simply to evaluate and implement suggested changes (Hoole & Patterson, 2008).

When accountability is placed in a primary role, three problems tend to surface. First, managers tend to take aim at stated accountability measures and fudge numbers in order to appear more in line with the measure. Secondly, fear of criticism or accountability may lead to less transparency when managers try to limit information that may not be in their favor. And finally, managers tend to state their intent but then fail to deliver as promised when faced with accountability measures (Ebrahim, 2005).

Thus it is important for researchers and NPO leaders to have a clear understanding that the purpose of effectiveness studies is not to be political or punitive, but to provide management tools and insight that can be of benefit in strategic decision making. In place of focus on accountability, it is better to concentrate on becoming a learning organization where leaders look for new ways to analyze data, measure effectiveness, and improve organizational performance. In this way, effectiveness measures can become an important tool on the road to accomplishing the stated mission.

Older and more established organizations have a greater tendency to use effectiveness measures for learning and insight. Ninety-six percent of organizations surveyed by Ebrahim (2005) used effectiveness measures to make improvements on program operations. A better use may be to look at the organization and evaluate how to move forward to accomplish its mission. For this to take place, it is important to take a look at a higher level than programs, and to measure effectiveness of the organization over a longer period of time rather than a single snapshot in time.

## Implication of Results

Over the last 20 years there has been a general shift among NPO leaders to adapt general business practices in their management (Lynch-Cerullo & Cooney, 2011). SDAs have followed suit, and in the early 1990s they changed their accounting practices in North America to generally accepted fund accounting practices. This was done in order to unify accounting practices for comparison purposes, and to improve administrative excellence. But SDA conferences and NPOs, in general, need to go further and establish measureable baselines that take aim at their mission statement. Once a general baseline for effectiveness has been established, it is then prudent to look at a broader range of measures including workload, output, costs, external measures, for these tend to increase the level of effectiveness (LeRoux & Wright, 2010).

For organizational leaders of SDA conferences, there are a number of results from this study that are relevant and worth further consideration. First of all, while the literature suggests that cash flow and debt management are important to effectiveness measures in an NPO (Abraham, 2006), this does not seem to be the case for the organizations in this study. Cash and debt management are important for solvency and operational reasons, but do not seem to impact the organizational mission goal of recruiting more members.

Secondly, financial support of members through tithe donations and pastoral services in the local church are not managed in an effective manner. While a clear relationship between higher financial support and larger pastoral staff with increased recruitment is present, there are also indications of lack of effectiveness because this relationship disappears when controlled for size and percentage increase is taken into account. This may be a result of greater waste in management when greater resources are

made available from supporters. Yet economies of scale should lead to greater effectiveness with increased volume. These results should be an encouragement to practitioners to reconsider current models of ministry and look for more effective ways to use limited resources to accomplish the stated mission.

The surprising finding regarding church ministry and pastoral services is that when correlating with percentage growth, church ministry and pastoral services as a ratio of recruitment numbers were negatively correlated for every year of the study. Thus while data present a picture of positive correlation between pastoral services and members recruitment, this is reversed when the cost for each new recruit is calculated.

This may indicate a lack of effectiveness in operation and use of funds. While large amounts of resources invested in recruitment through pastoral and program services will inevitably produce more new recruitments, the negative correlation when percentage growth is used may reflect other factors at work, perhaps more closely aligned with volunteer work, or the services of general membership that are not salaried or funded by the organization.

Related to the question of church ministry and pastoral services is the funding of evangelism efforts. While the bulk of organizational services takes place through the work of pastors and church services, the conferences set aside a smaller amount dedicated to the exclusive use of recruitment of new members.

I expected to see the strongest positive correlation between the data on recruitment services and actual recruitment numbers. This was not the case, indicating a major lack of effectiveness of operations. It may also be an indicator of inadequacy of the official mission statement. While member recruitment is a stated goal of the organization,

it may not play a pivotal role in operational decision making.

The costs of recruitment services were not separated out in audited statements, and were therefore only available in the year-end Financial Activity Report as a single line item. Thus I was limited to one number but chose to run correlations on this single number both with numerical growth and with percentage increase.

It was noticeable that all 13 conferences placed far less emphasis on funding direct recruitment than on pastoral and program services. One conference accounted \$0.00 for evangelism/recruitment function for 6 of the latter 7 years. The highest amount set aside for recruitment was around \$1.5 million in one conference for the last 3 years of the study. The yearly average funding for recruitment for all conferences was \$396,807, a surprisingly low number as recruitment of new members is a voted primary mission of the organization.

It was even more surprising to find that, except for a total of 3 years, there was no significance between evangelism funds and actual recruitment. The years 1998 and 2000 had positive correlations with numerical growth, and 2007 had a positive correlation with percentage growth. This probably indicates overall inefficiencies in the operation of recruitment services.

Education efforts did not show effectiveness in this study, but this relationship needs further study because of the limited data that were available. I was surprised to find that every data point, except one, was found to be negatively correlated with education. Thus I concluded that education efforts were not effective in the support of the primary mission of the organization. This was supported at a significant predictive level for both audited and financial activity data, indicating a real and consistent relationship.

The audited report, which included other education expenses lumped together, such as education administration cost, had the highest negative correlation factor. This seems to support the notion that the more resources that are placed in education, at the organization level, the less recruitment takes place. This does not mean that education does not impact recruitment of new members, but that the current practices are not effective.

The beta factors for education, which consisted of conference financial investment in elementary and secondary education as well as education superintendent, presented a slightly negative, but consistent level of correlation, both in regard to numerical growth and also cost per baptism correlated to percentage increase. While these numbers are consistent, it is encouraging to see that they do not represent a large negative correlation, possibly implying the possibility of making slight changes in order to become effective in support of organizational mission.

While the data were not significant when correlated with percentage growth, it was noteworthy that every data point except two (audit statements for 1997 and 2004) was consistently showing a negative relationship. That is, the more financial support provided for education at the organizational level, the less recruitment occurred.

One item to keep in mind is that attempts were made to secure summary records of how many children and teenagers were added to the organization each year. These records are digitally available and kept at the NAD Secretariat's office. Technicians can run these numbers off in a matter of minutes, in order to provide correlations that are more meaningful. The challenge is that while the Secretariat's office stores and manages these records, the ownership of these records is held by each individual conference. The

only way a researcher can access these records is by securing a letter from each conference stating that their executive committee voted to grant permission to access and use their records.

Elementary and secondary education focuses on children and youth, thus I am assuming that if we were to correlate financial resources with recruitment of children and youth, we would see a positive predictive relationship. As it is, these education numbers are correlated with total recruitment, which consists primarily of adult recruitments. This may explain to a large degree the negative correlation found between use of funds and education, in this study.

#### Access to Data

It was my intention to break down new-member recruitment into age categories and use canonical correlations to look at more nuanced relationships between the two. I would fully expect to see a strong and positive relationship between education investment and addition of younger members to the organization. Having received access only to the public total figure of yearly additions, with the majority of new recruits being adults, the study was not able to determine the relationship expected.

This highlights the need for church leaders to publish more complete data, so that researchers can explore relationships and provide meaningful data to administrators so that better decisions can be made. The General Conference archives should be providing full access to their data archives, and the Secretariat's office should have full control to disseminate data to researchers as needed, without having to look to each conference for permission. As most of the data are publicly available through each local office, it should be a simple decision to provide easy access from one location. With the advent of digital

media, this is not a difficult task to achieve. Those benefitting the most from easing of access to data would be the organizational leaders.

For the most part, administrative costs were negatively correlated with recruitment. Data from the audited statements and from the year-end financial activity statements were consistent when correlated with numerical growth, while there was very little significance found between administration and percentage growth. A total of only three data points showed any significance at the variable level for administration. These were 1997 and 2005 from the audit statement, and 2003 for the tithe ratio model.

Correlated with numerical growth, there were numerous data points that demonstrated a significant predictive relationship with administrative cost. A total of 17 data points had significance, and of these only two had a positive relationship.

The audit statement includes major categories of administrative expenses related to the operation of the conference, except that Ministerial Secretary and Education Superintendent are excluded and accounted for in their respective areas. From the year-end financial activity statement, I added the expense items directly related to local administrative work; I then added the line items for Ministerial Secretary and Education Superintendent to that cost in order to provide a more complete cost of direct administrative services. Calculated either way, both correlation figures were negative, indicating that administration is not effectively used for recruitment purposes.

This study provides empirical data for the necessity to revise and review the administrative processes at the organizational level and look carefully for means to reduce operational costs of administration. While for-profit entities have taken this question to heart over the last few decades, it seems that this has not been an imperative



for NPOs because their mission is changed lives and not bottom-line finances. In addition, the influence of multiple agencies may influence decisions; moreover, the fact that the actors involved in the decision making on administration are those involved in administration and thus are hardly the most likely to cut their own jobs.

It would be wise for NPO leaders to consider ways to follow for-profit corporations in drastically reducing overhead and administrative costs, and redirect saved funds to efforts that directly support the mission of the organization.

### Conclusions

While many researchers seem to have abandoned goal attainment theory as a foundation for NPO effectiveness measures, and have chosen more complex theoretical foundations, I have chosen to return to the simplicity of a single measure in order to evaluate an organization as to the level based on their “progress towards stated goals” (Lecy et al., 2011). It is possible to measure the extent an organization meets a stated goal (Forbes, 1998) and my study supports this conclusion. But I argue that goal attainment should be used only when a clear mission has been defined and stated (Price, 1972). The goal attainment approach defined organizational effectiveness in terms of the level of attainment of key organizational goals of the NPO (Forbes, 1998; Lecy et al., 2011).

If goal attainment is used to simply measure finances, then it will not work; instead it is important to use financial ratios (Baber, Roberts, & Visvanathan, 2001; Eckerd & Moulton, 2011) in correlation with mission goals (Abraham, 2006). While Eckerd and Moulton (2011) question the purpose of financial measures and suggest that they are “hazy,” I counter that financial measures are suitable when used in connection with other variables. There is a tendency to use financial ratios as stand-alone measures

of performance, as can be illustrated with the use of NAD F50 reports that the GC produces for all its entities. From an accounting perspective this is a natural procedure, but from a management perspective, it is more important to create ratios that combine finances with mission goals.

With the effectiveness model based on recruitment ratios (Table 22) being the only model that demonstrated predictive significance when compared with percentage growth, and the only variable showing significance in this model had a negative relationship, it is logical to conclude that SDA conferences are not effective in their operations. Pastoral services (C&P), which is the primary mode of church operations from the conference level, is negatively related to the stated mission of recruiting new members. This should result in a close scrutiny of current practices, or a re-evaluation of the stated mission of the organization. It is possible that other mission goals are more important when it comes to the administration and distribution of finances, but perhaps it would be wise to state such goals clearly in the official mission statement.

#### Recommendations for SDA Leaders

The following are some recommendations for SDA leaders and NPO managers:

1. While the SDA church is a growing organization, it appears that direct funding of evangelism is not effective in recruiting new members. And while pastoral services can be effective, it is not efficient. Thus it is recommended that leaders review primary operations that support the organizational mission to ensure that they are focused and impact the mission directly, rather than maintain current operations because of tradition.
2. While accounting practices, cash flow management, and maintenance of

required working capital are important, it may be wise to have mission accounting take precedence. There seems to be little evidence for accounting for mission presently, and it is important to review these practices and find a way to account for effective mission success. It is recommended that accounting for mission purposes take priority over financial accounting.

3. Data transparency and availability are required for publicly traded corporations. While this is expected for NPOs, it is not required. NPO leaders can change this by providing key data and figures in yearly public reports. An NPO is a publicly owned organization, and as such should treat its data in a similar fashion as a publicly traded company. It is recommended that SDA church leaders provide researchers full access to financial and mission data so they can evaluate data and provide meaningful recommendations.

4. Administrative practices appear to be both ineffective and inefficient, and needs to change. With changes in transportation and communication, modern society provides multiple ways to adapt to a lean organization. Shareholders of publicly traded companies require this of their leaders, and NPO leaders should follow suit. Challenging decisions may face NPO leaders when positions held by family, friends, and coworkers may need to be eliminated. It is recommended that SDA church leaders be deliberate in reducing the size of church administration in order to support its mission more effectively.

5. Finally, it is prudent to reconsider the use of tithe. Whereas tithe provided the strongest single variable in the member support model, demonstrating ability to impact effectiveness, indications are that this is a reflection of the organization and is inefficient

in its current use. Increased overall donations and increased average member donations should lead to greater effectiveness and efficiency. It is recommended that tithe donations be redirected so that a greater portion of tithe is spent on recruitment efforts and mission of the SDA church.

### Recommendations for Executive Board and Church Members

While organization leaders receive perhaps the most attention when it comes to NPO operations, it is also important to consider other agents that have an interest in the NPO and who support its operations with time and donations. NPO members and executive board members can take note of this study. The following recommendations are based on the results of this study and apply to these two groups.

1. Members of the NPO's executive board need to understand the organizational mission well and support decisions that maximize results that are in harmony with their mission.

2. Members of the NPO's executive board can look to help their leaders make decisions that increase the mission impact of their financial allocations. Board members should pro-actively support their leaders in finding ways to operate in both effective and efficient manners.

3. Regular members have decision-making power and can request and expect full disclosure of financial and mission data. An NPO is not a private organization but belongs to the people who support it with their membership, time, and financial donations. Members can request and should insist on full disclosure, of both financial and mission accounting.

4. Members tend to take financial statements and official reports at face value.

Caution is needed here, as fund accounting allows for allocating expenses, based on certain accounting rules, for lumping and designating costs according to the decisions of leaders. Members need to request clarification as to how funds are allocated so that they can independently determine the effectiveness of their NPO.

### Recommendations for Future Research

The NPO segment continues to be an important part of the economy. In order to serve the needs of people and continue to receive generous funding from donors, it is important to demonstrate effective operations. Forbes (1998) and Lecy et al. (2011) have highlighted the challenges NPO researchers face with lack of empirical data, competing theorems, and disparate definitions.

Therefore it is important for NPO leaders to provide researchers access to financial and mission-related data so that more empirical studies can be performed in order to confirm theorems and advance the study of NPO effectiveness. This study has contributed to the field by demonstrating that when access to data is provided, even in the limited form I received, predictive relationships between mission data and allocation of financial resources can be demonstrated. Following are recommendations for further research, based on the outcome of this study.

1. As the data from this study seem to question the application of two of Abraham's (2006) four questions, it is recommended that this be explored further in order to ascertain if this is a theoretical problem and that cash flow and debt management should be removed from NPO effectiveness studies, or if this is a unique attribute of SDA conferences in the U.S.

2. This study provides data that may be seen as supporting both effective and efficient NPO operations. It is recommended that further studies be performed to clarify the distinction suggested between the two constructs, in order to affirm or clarify the conclusions made here.

3. Classification of NPOs is important for effectiveness studies, but there is a need to study how to classify and segment NPOs so that comparative studies can be meaningful and produce meaningful results.

4. While member financial support was highly correlated with numerical increase in member recruitment, there was no such relationship found when correlated with percentage recruitment growth. Yet it should be expected that increased financial support would result in increased effectiveness of operations. The negative correlation between average member financial support and new recruitments was startling and should call for further research. Is this a regular phenomenon among NPOs or is this limited to religious organizations? What factors contribute to this relationship?

5. I also recommend that future research focus on other world cultures in order to compare and contrast differences in SDA conferences around the world.

6. Finally, it would be beneficial to look at segmentation of recruitment numbers based on age and explore how effective education is in recruiting relevant age groups.

The NPO segment is far behind its for-profit counterpart in assessing effectiveness and providing adequate tools for practitioners in NPO leaders. Current practice of holding on to relevant data as if it were a secret treasure can only harm the NPO and lead to increased skepticism from donors and organizational members. Continued research in this area will go far to build stronger organizations and create trust

between members and leaders. Changing human lives (Drucker, 1990) is still an important part of the NPO, as so many struggle to live meaningful lives.

## APPENDIX A

### VARIABLE DESCRIPTORS AND DEFINITIONS



Table 25

*Descriptive Data of Variables for Years 1997 Through 2008*

Year	97	98	99	00	01	02	03	04	05	06	07	08
Numerical Growth												
Mean	503	482	646	519	524	579	600	555	588	563	579	634
DV	448	435	601	413	424	512	561	504	547	524	569	651
Skewness	2.278	2.501	2.138	2.121	2.064	2.093	2.268	2.372	1.809	2.113	2.062	2.101
Kurtois	5.842	7.290	5.320	5.665	5.459	5.231	6.322	6.583	3.146	5.094	4.743	4.715
Percentage Growth												
Mean	.0426	.0402	.0587	.0409	.0410	.0415	.0409	.0392	.0401	.0385	.0364	.0386
DV	.0145	.0125	.0484	.0089	.0157	.0131	.0133	.0125	.0140	.0149	.0131	.0133
Skewness	1.205	.255	3.222	-.165	1.215	.037	.718	1.400	.208	.802	.471	.276
Kurtois	.294	-1.183	10.889	-1.215	1.465	-.832	-.678	2.123	-1.724	.059	-1.100	-.923
Ratio01												
Mean	1.08	1.69	1.91	2.24	2.19	1.60	1.46	1.67	1.45	1.34	2.54	1.72
DV	3.210	1.010	1.140	1.430	1.496	1.239	.980	1.169	.701	.480	2.971	1.123
Skewness	-3.264	.835	.871	.366	.843	.876	.863	1.642	.513	-.047	3.125	1.075
Kurtois	11.280	.013	.266	-.568	-.213	-.719	-.607	3.609	-.717	-.431	10.513	.658

Table 25—*Continued.*

Year	97	98	99	00	01	02	03	04	05	06	07	08
Ratio03												
Mean	80.79	78.25	93.65	101.35	98.23	86.71	80.527	83.38	97.89	103.86	105.2	110.92
DV	33.311	43.544	42.420	52.985	46.241	46.162	43.555	40.202	43.570	45.143	48.528	42.120
Skewness	-.289	.177	.176	.397	.390	.045	.233	.755	.780	.003	-.535	.210
Kurtois	-.919	-.350	-.599	-.958	-.723	-1.445	-.740	.977	-.577	-1.668	-.504	-1.897
Ratio08												
Mean	96.27	95.51	95.81	93.13	88.99	86.31	85.91	91.25	93.45	93.79	85.56	77.87
DV	10.241	7.565	4.958	6.330	4.972	4.721	7.433	8.961	8.117	9.906	26.734	35.835
Skewness	.322	.222	-.579	-1.174	-.263	-.301	-.392	.985	.367	.074	-3.183	-1.867
Kurtois	1.061	-.075	1.517	1.361	-1.092	-.418	1.189	1.411	-.987	-1.030	10.800	2.357
TotLiab												
Mean	2.858E6	3.126E6	3.420E6	3.175E6	3.693E6	3.779E6	4.197E6	4.285E6	4.373E6	4.925E6	4.969E6	4.831E6
DV	1.952E6	1.767E6	2.081E6	1.712E6	2.089E6	2.145E6	2.875E6	2.943E6	3.098E6	3.510E6	3.610E6	3.655E6
Skewness	.382	-.069	.062	-.303	-.252	-.418	.644	.685	.425	.296	.353	.624
Kurtois	-.867	-.541	-.720	-.405	-.594	-.825	.406	.823	-.785	-1.407	-1.502	-1.013
Ratio09												
Mean	3.467	4.072	3.129	2.531	1.640	1.287	1.870	1.518	.967	1.471	1.046	.714
DV	6.549	7.892	5.744	4.856	2.514	1.932	3.391	3.166	1.530	2.811	1.635	1.555
Skewness	1.829	2.169	2.686	2.721	1.625	1.352	2.220	2.453	1.604	2.071	1.983	2.869
Kurtois	2.243	4.173	7.962	1.191	2.064	.415	4.528	5.897	2.141	3.323	4.192	8.761
Debt/Memb												
Mean	\$321	\$363	\$423	\$336	\$377	\$367	\$390	\$377	\$353	\$364	\$352	\$327
DV	\$161	\$194	\$311	\$164	\$212	\$203	\$243	\$251	\$222	\$203	\$203	\$196
Skewness	.937	1.432	1.590	.200	.314	.092	1.264	1.162	1.036	.938	1.103	1.297
Kurtois	1.738	3.191	2.284	-.473	-.725	-.929	2.430	1.850	1.237	1.591	1.874	2.194

Table 25—*Continued.*

Year	97	98	99	00	01	02	03	04	05	06	07	08
T												
Mean	\$1.211E7	\$1.267E7	\$1.337E7	\$1.451E7	\$1.390E7	\$1.413E7	\$1.413E7	\$1.425E7	\$1.495E7	\$1.388E7	\$1.636E7	\$1.504E7
DV	\$8.425E6	\$8.865E6	\$9.434E6	\$1.070E7	\$9.764E6	\$9.969E6	\$1.015E7	\$1.030E7	\$1.110E7	\$1.149E7	\$1.167E7	\$1.179E7
Skewness	.916	.939	.989	.920	.966	.968	1.014	1.073	1.140	1.514	.983	1.220
Kurtois	-.279	-.212	-.024	-.644	-.119	-.082	.053	.268	.421	1.335	.172	.494
T/H												
Mean	.6598	.5575	.509	.524	.4879	.4695	.5547	.4499	.4475	.4129	.4728	.4180
DV	.4476	.2268	.1198	.1215	.1137	.1229	.1166	.1279	.1431	.1594	.2625	.1381
Skewness	2.104	.828	.310	.749	.857	1.131	1.214	1.367	1.480	.251	2.270	1.725
Kurtois	3.891	-.615	.293	.435	-.503	.227	.273	1.024	1.230	1.653	5.493	2.427
T/Mem												
Mean	\$1,012	\$1,036	\$1,144	\$1,109	\$1,060	\$1,048	\$1,021	\$1,014	\$1,034	\$974	\$1,153	\$968
DV	\$130	\$134	\$261	\$175	\$144	\$135	\$136	\$135	\$126	\$241	\$528	\$98
Skewness	1.367	2.235	1.747	.601	.676	.769	.791	.652	.933	-2.335	3.309	.699
Kurtois	1.200	6.253	3.627	-1.254	-1.132	-.748	-.850	-.879	-.584	7.323	11.414	-.097
C&P/T												
Mean	.3183	.3313	.3139	.2939	.3313	.3489	.3637	.3488	.3340	.3388	.3198	.3404
DV	.0468	.0448	.0364	.0882	.0338	.0421	.0483	.0377	.0408	.2009	.0770	.0351
Skewness	.634	1.444	.102	-1.955	.190	1.209	.102	.110	.266	3.240	-1.418	.009
Kurtois	.413	2.596	-.399	4.920	-.434	1.745	-1.487	-1.885	-1.527	11.139	4.476	-1.275
Ed/Ti												
Mean	.1057	.1121	.0996	.1115	.1236	.1246	.1280	.1197	.1221	.1396	.1184	.1104
DV	.043999	.053519	.049168	.0531	.0666	.0590	.0604	.0605	.0618	.1094	.0682	.0491
Skewness	.015	-.103	.260	.248	.075	.010	.068	.163	.472	2.201	.414	1.190
Kurtois	.613	-1.107	-.987	-.766	-1.180	-.429	-.796	-.785	-.626	5.845	-.801	1.705

Table 25—*Continued.*

Year	97	98	99	00	01	02	03	04	05	06	07	08
Adm/T												
Mean	.1048	.1046	.0998	.0952	.1019	.1075	.1028	.1033	.0975	.1131	.09858	.1029
DV	.0456	.0488	.0378	.0376	.0372	.0426	.0450	.0383	.0405	.0484	.0442	.0329
Skewness	2.201	2.240	1.864	1.524	2.175	2.169	2.498	1.593	.755	1.799	.760	.656
Kurtois	4.989	5.248	3.219	2.255	4.594	5.594	7.265	2.412	2.587	3.411	-.063	-.227
AudC&P												
Mean	\$4.903E6	\$5.319E6	\$5.335E6	\$5.761E6	\$6.030E6	\$6.648E6	\$7.633E6	\$7.520E6	\$6.590E6	\$6.651E6	\$6.600E6	\$6.697E6
DV	\$3.279E6	\$3.580E6	\$3.631E6	\$3.933E6	\$4.184E6	\$4.292E6	\$4.787E6	\$4.873E6	\$4.583E6	\$4.488E6	\$4.810E6	\$4.992E6
Skewness	.767	.754	.860	.874	.796	.534	.456	.547	1.107	1.017	1.178	1.190
Kurtois	-1.015	-.982	-.619	-.519	-.809	-1.123	-1.129	-1.053	.563	.370	.320	.343
AudEd												
Mean	\$4.562E6	\$4.498E6	\$4.665E6	\$4.941E6	\$5.365E6	\$5.553E6	\$6.990E6	\$6.851E6	\$5.359E6	\$5.473E6	\$5.332E6	\$5.057E6
DV	\$3.742E6	\$3.400E6	\$3.640E6	\$3.917E6	\$4.223E6	\$4.334E6	\$6.005E6	\$6.017E6	\$4.687E6	\$5.156E6	\$4.984E6	\$3.895E6
Skewness	1.581	1.310	1.299	1.402	1.488	1.436	1.407	1.416	1.786	2.017	1.835	1.235
Kurtois	2.106	1.001	.888	1.477	2.100	1.870	1.294	1.145	3.327	4.441	3.492	.611
AudAdm												
Mean	\$1.963E6	\$1.822E6	\$1.901E6	\$2.389E6	\$2.347E6	\$2.278E6	\$2.929E6	\$3.039E6	\$2.575E6	\$2.573E6	\$2.556E6	\$2.531E6
DV	\$1.474E6	\$9.990E5	\$8.576E5	\$1.412E6	\$1.441E6	\$1.371E6	\$1.986E6	\$2.100E6	\$1.621E6	\$1.625E6	\$1.690E6	\$1.681E6
Skewness	2.175	.936	.634	.579	.572	1.147	1.017	1.377	.789	1.026	1.194	.855
Kurtois	5.502	.335	-.255	-1.149	-1.140	.372	.233	1.951	-.744	.289	.637	-.501
C&P												
Mean	\$3.343E6	\$3.555E6	\$3.604E6	\$3.490E6	\$3.970E6	\$4.348E6	\$4.523E6	\$4.417E6	\$4.436E6	\$4.436E6	\$4.558E6	\$4.632E6
DV	\$2.129E6	\$2.357E6	\$2.392E6	\$2.663E6	\$2.660E6	\$3.020E6	\$3.151E6	\$3.135E6	\$3.093E6	\$3.192E6	\$3.428E6	\$3.531E6
Skewness	.836	.943	.928	.914	.984	1.037	1.148	1.188	1.156	1.206	1.241	1.187
Kurtois	-.193	-.087	-.153	-.215	.074	.371	.648	.753	.716	.774	.716	.444

Table 25—*Continued.*

Year	97	98	99	00	01	02	03	04	05	06	07	08
Evang												
Mean	\$3.707E5	\$5.137E5	\$4.747E5	\$4.922E5	\$4.989E5	\$5.121E5	\$4.858E5	\$4.678E5	\$4.039E5	\$4.580E5	\$4.568E5	\$4.363E5
DV	\$3.336E5	\$4.577E5	\$4.371E5	\$3.443E5	\$3.419E5	\$4.031E5	\$4.151E5	\$3.994E5	\$3.694E5	\$4.775E5	\$4.840E5	\$4.894E5
Skewness	.752	1.751	1.674	1.167	.451	.296	.269	.622	1.062	1.453	1.448	1.318
Kurtois	-1.226	3.002	2.582	1.106	-1.069	-1.286	-1.769	-1.152	.056	1.785	1.171	.462
Ed												
Mean	\$1.289E6	\$1.506E6	\$1.295E6	\$1.679E6	\$1.834E6	\$1.812E6	\$1.970E6	\$1.895E6	\$2.000E6	\$1.943E6	\$2.017E6	\$1.627E6
DV	\$1.028E6	\$1.382E6	\$8.698E5	\$1.665E6	\$1.888E6	\$1.479E6	\$2.049E6	\$2.088E6	\$2.168E6	\$2.265E6	\$2.314E6	\$1.293E6
Skewness	1.626	1.930	.388	2.491	2.541	1.524	2.374	2.498	2.421	2.647	2.480	1.146
Kurtois	2.783	4.568	-1.128	7.348	7.690	2.564	6.391	7.042	6.715	7.782	6.946	.320
Adm												
Mean	\$1.077E6	\$1.114E6	\$1.175E6	\$1.223E6	\$1.222E6	\$1.269E6	\$1.209E6	\$1.223E6	\$1.159E6	\$1.264E6	\$1.291E6	\$1.308E6
DV	\$6.198E5	\$6.662E5	\$7.434E5	\$8.120E5	\$7.120E5	\$6.766E5	\$6.844E5	\$6.793E5	\$7.214E5	\$7.684E5	\$7.473E5	\$8.365E5
Skewness	1.068	1.363	1.106	1.397	1.145	1.088	1.269	1.649	2.246	1.828	1.611	1.863
Kurtois	-.051	1.366	.227	.900	.338	.783	1.432	3.181	6.049	4.029	3.277	4.424
C&P/NG												
Mean	\$8,062	\$9,096	\$7,580	\$8,204	\$9,446	\$9,661	\$9,781	\$9,593	\$9,543	\$9,780	\$10,337	\$9,360
DV	\$1,987	\$2,514	\$2,384	\$2,757	\$2,852	\$3,396	\$2,915	\$2,326	\$3,358	\$3,307	\$3,653	\$2,886
Skewness	-.645	1.043	-1.553	-1.341	-.534	.829	.128	-.973	.672	.403	.527	.411
Kurtois	.375	1.396	2.285	2.659	-.864	.511	-.127	.540	.344	-.731	-.571	.098
Ed/NG												
Mean	\$2,848	\$3,433	\$2,585	\$3,279	\$3,834	\$3,499	\$3,644	\$3,552	\$3,865	\$3,697	\$3,980	\$3,309
DV	\$1,520	\$2,253	\$1,614	\$2,032	\$2,755	\$2,238	\$2,389	\$2,335	\$2,733	\$2,448	\$3,061	\$2,317
Skewness	.110	.331	.184	.887	.559	.913	.620	.598	.791	.589	1.362	1.420
Kurtois	-.520	-1.083	-.828	1.020	-.778	.633	-.757	-.204	.145	-.533	1.576	1.883

Table 25—*Continued.*

Year	97	98	99	00	01	02	03	04	05	06	07	08
Adm/NG												
Mean	\$2,605	\$2,825	\$2,403	\$2,643	\$2,912	\$2,637	\$2,890	\$2,865	\$2,746	\$2,881	\$3,186	\$2,865
DV	\$978	\$1,122	\$1,060	\$1,067	\$4,407	\$2,177	\$1,930	\$1,230	1,150	\$1,001	\$1,536	\$1,249
Skewness	.884	.315	.206	1.074	1.369	2.984	2.665	.762	.000	-.522	.816	.641
Kurtois	2.402	-.555	.697	1.564	1.623	9.825	8.494	.603	1.822	-.604	.852	1.180

*Note.* N=13

Table 26

*Definition of All Variables Used in This Study*

Variable	Description
Adm	Administrative cost from conference financial activity year-end report. Office expense plus ministerial director and education superintendent.
AudC&P	Church ministries expense from GCAS audit report.
AudAdm	Total support services function from GCAS audit report.
AudEd	Education expense from GCAS report audit report.
Adm/NG	Administrative cost from conference financial activity year-end report. Office expense plus ministerial director and education superintendent, divided by numerical growth.
Adm/T	Administrative cost from conference financial activity year-end report. Office expense plus ministerial director and education superintendent, divided by tithe.
C&P	Church ministry and pastoral service from conference financial activity year-end report.
C&P/NG	Church ministry and pastoral service from conference financial activity year-end report, divided by numerical growth.
C&P/T	Church ministry and pastoral service from conference financial activity year-end report, divided by tithe.
Ed	Education transfer expense for elementary and secondary education from conference financial activity year-end report.
Ed/T	Transfer education and education superintendent cost from conference financial activity year-end report, divided by tithe.
Ed/NG	Transfer education and education superintendent cost from conference financial activity year-end report, divided by numerical growth.
Evang	Evangelism funds from conference financial activity year-end report.
NG	Numerical growth as sum total of baptism and profession of faith during year.
PG	Percent growth, calculated by dividing new growth by beginning total membership

Table 26—*Continued.*

Variable	Description
Ratio01	Measure of liquidity. Ratio #1 on NAD F50 report.
Ratio03	Measure of working capital. Ratio #3 on NAD F50 report.
Ratio08	Measure of self-support. Ratio #8 on NAD F50 report.
Ratio 09	Measure of debt used to fund plant development. Ratio #9 on NAD F50 report.
Tithe	Tithe from statistical report used as measure of member donations to conference.
Tithe/H	Tithe as ratio of total net worth, measure as tithe divided by total net worth, line H on NAD F50 report.
Tithe/M	Average member donation, measured as tithe divided by total membership at beginning of year.
TotLib	Reported total liabilities from line G on NAD F50 report.
TotLib/M	Measure of debt calculated as total liabilities divided by membership at beginning of year.



## APPENDIX B

### RATIO MEASURES ON NAD F50

Table 27

*Financial Ratio Indicators on NAD F50*

No.	Ratio	Description
1	Liquidity Ratio	(Cash + securities + rec from higher org) / (Total current liabilities + allocated cap net worth)
2	Current Ratio	Total current assets / total current liabilities
3	Required Working Capital	Working capital / required working capital
4	Receivables of Operating Fund	(Accounts receivables + notes and loans receivables net – accounts receivables higher organization) / unallocated & allocated operating net worth
5	Fixed Asset Investment	Net investment in plant fund balance / (unallocated & allocated operating net worth + net investment in plant fund balances)
6	Debt Percentage	(Total current liabilities + other liability) / unallocated & allocated operating net worth
7	Equity Percentage	(Unallocated & allocated operations net worth + allocated capital net worth) / (total current assets + other assets – other liability)
8	% Self Support	Earned operating income / operating expense
9	Debt Financed Fixed Assets	Total investment in plant / fixed assets
10	% Regular Net Worth Operating Fund to Earned Op Income	Unallocated & allocated operating net worth / earned operating income (not donations and appropriations)

## APPENDIX C

### SIGNIFICANCE AND BETA VALUES

Table 28

*Beta Coefficients and Significance for Variables, Model Significance, and Multiple R for Cash Flow as Predictor of Numerical Growth*

Year	97	98	99	00	01	02	03	04	05	06	07	08
Ratio01	-0.32	0.34	0.20	0.46	1.21	0.23	0.56	0.41	0.37	0.16	0.05	-0.17
Sig	0.25	0.49	0.64	0.40	0.03	0.55	0.16	0.32	0.25	0.58	0.88	0.62
Ratio03	-0.56	-0.73	-0.64	-0.93	-1.45	-0.62	-0.67	-0.69	-0.28	-0.42	-0.40	-0.09
Sig	0.07	0.15	0.15	0.10	0.01	0.11	0.10	0.10	0.39	0.20	0.23	0.80
Ratio08	0.13	0.40	0.04	0.57	0.43	0.53	0.44	0.31	0.30	0.45	-0.06	0.19
Sig	0.65	0.16	0.91	0.04	0.06	0.08	0.11	0.31	0.34	0.17	0.85	0.57
<i>R</i>	0.64	0.63	0.53	0.72	0.80	0.67	0.68	0.58	0.47	0.53	0.40	0.27
Sig	.17	.19	.38	.07	.02	.13	.12	.28	.49	.37	.66	.87

Table 29

*Beta Coefficients and Significance for Variables, Model Significance, and Multiple R for Cash Flow as Predictor of Percentage Growth*

Year	97	98	99	00	01	02	03	04	05	06	07	08
Ratio01	-0.02	0.87	0.05	0.10	-0.28	-0.29	0.68	0.69	0.43	0.15	0.26	0.21
Sig	0.95	0.11	0.88	0.89	0.74	0.56	0.11	0.12	0.19	0.62	0.41	0.54
Ratio03	-0.24	-0.99	-0.23	-0.40	0.14	0.05	-0.47	-0.54	-0.20	-0.10	-0.29	-0.31
Sig	0.39	0.08	0.53	0.59	0.87	0.92	0.25	0.20	0.52	0.75	0.37	0.36
Ratio08	-0.56	0.07	-0.67	0.08	-0.04	0.06	0.35	-0.32	-0.19	-0.38	-0.33	-0.06
Sig	0.07	0.80	0.03	0.82	0.91	0.87	0.21	0.31	0.52	0.26	0.30	0.86
<i>R</i>	0.68	0.57	0.68	0.30	0.18	0.24	0.65	0.53	0.48	0.46	0.47	0.33
Sig	0.12	0.30	0.12	0.82	0.96	0.91	0.16	0.37	0.47	0.52	0.50	0.78

Table 30

*Beta Coefficients and Significance for Variables, Model Significance, and Multiple R for Debt Management as Predictor of Numerical Growth*

Year	97	98	99	00	01	02	03	04	05	06	07	08
Ratio09	-0.09	-0.05	-0.14	0.06	0.08	-0.02	0.08	-0.12	0.34	0.25	0.30	0.22
Sig	0.59	0.80	0.57	0.77	0.75	0.93	0.77	0.69	0.09	0.21	0.15	0.47
Debt/M	-0.47	-0.48	-0.60	-0.48	-0.71	-0.66	-1.06	-0.97	-1.28	-0.82	-0.95	-1.06
Sig	0.02	0.04	0.05	0.04	0.02	0.03	0.01	0.02	0.00	0.00	0.00	0.02
TotLiab	0.96	0.85	0.64	0.82	0.86	0.88	1.13	1.12	1.38	0.98	1.06	1.11
Sig	0.00	0.00	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R	0.89	0.83	0.69	0.82	0.79	0.80	0.82	0.81	0.92	0.91	0.91	0.83
Sig	0.00	0.01	0.10	0.02	0.03	0.02	0.01	0.02	0.00	0.00	0.00	0.01

Table 31

*Beta Coefficients and Significance for Variables, Model Significance and Multiple R for Debt Management as Predictor of Percentage Growth*

Year	97	98	99	00	01	02	03	04	05	06	07	08
Ratio09	-0.278	-0.109	-0.218	0.479	0.465	0.229	0.500	0.136	0.289	0.250	0.129	0.373
Sig	0.34	0.72	0.49	0.14	0.19	0.55	0.21	0.77	0.47	0.54	0.76	0.42
Debt/M	-0.503	-0.365	-0.128	-0.074	-0.376	-0.338	-0.867	-0.531	-0.884	-0.543	-0.499	-0.935
Sig	0.13	0.27	0.71	0.82	0.33	0.43	0.09	0.34	0.12	0.19	0.31	0.12
TotLiab	0.016	-0.149	-0.316	-0.103	-0.116	0.173	0.554	0.007	0.470	0.021	0.331	0.507
Sig	0.96	0.65	0.37	0.74	0.74	0.65	0.19	0.99	0.32	0.96	0.42	0.23
R	0.58	0.45	0.43	0.49	0.48	0.28	0.56	0.44	0.52	0.45	0.36	0.51
Sig	0.278	0.541	0.595	0.466	0.474	0.852	0.315	0.574	0.391	0.546	0.725	0.409

Table 32

*Beta Coefficients and Significance for Variables, Model Significance, and Multiple R for Member Financial Support as Predictor of Numerical Growth*

Year	97	98	99	00	01	02	03	04	05	06	07	08
Tithe/H	0.10	0.02	0.28	0.30	0.25	0.21	0.17	0.23	0.22	0.27	0.47	0.28
Sig	0.56	0.91	0.22	0.06	0.16	0.17	0.32	0.16	0.11	0.11	0.12	0.03
Tithe	0.96	0.87	0.72	1.00	0.86	0.97	0.97	1.01	1.02	1.01	1.01	1.11
Sig	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tithe/M	-0.25	-0.27	-0.51	-0.17	-0.20	-0.31	-0.38	-0.18	-0.43	-0.62	-0.34	-0.34
Sig	0.13	0.27	0.24	0.01	0.37	0.11	0.11	0.04	0.19	0.03	0.04	0.02
R	0.87	0.81	0.78	0.91	0.87	0.91	0.88	0.91	0.94	0.92	0.92	0.95
Sig	.003	.016	.033	.001	.004	.001	.003	.001	.000	.000	.000	.000

Table 33

*Beta Coefficients and Significance for Variables, Model Significance, and Multiple R for Member Financial Support as Predictor of Percentage Growth*

Year	97	98	99	00	01	02	03	04	05	06	07	08
Tithe/H	.584	-.072	.142	.498	.047	-.079	-.094	.126	.402	.253	.287	.483
Sig	0.07	0.83	0.67	0.12	0.89	0.82	0.77	0.72	0.22	0.51	0.56	0.16
Tithe	.087	-.087	-.151	-.115	-.112	.173	.301	.125	.173	.101	.422	.535
Sig	0.78	0.81	0.66	0.74	0.75	0.63	0.41	0.74	0.61	0.77	0.13	0.15
Tithe/M	.091	.073	-.062	-.171	.137	.113	.004	-.193	.168	.127	.262	-.254
Sig	0.77	0.07	.085	0.63	0.70	0.75	0.99	0.60	0.61	0.76	0.60	0.48
R	0.56	0.12	0.22	0.51	0.15	0.25	0.33	0.21	0.47	0.37	0.72	0.53
Sig	.317	.986	.925	.415	.975	.895	.775	.937	.502	.705	.075	.367

Table 34

*Beta Coefficients and Significance for Variables, Model Significance, and Multiple R for Effectiveness Measure Based on Audited Statement as Predictor of Numerical Growth*

Year	97	98	99	00	01	02	03	04	05	06	07	08
AudC&P	-0.11	1.12	1.96	1.88	1.69	1.54	2.31	2.26	2.49	2.29	2.01	2.30
Sig	0.68	0.08	0.12	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00
AudEd	0.32	-0.61	-1.04	-0.95	-0.71	-0.49	-1.53	-1.34	-1.52	-1.40	-1.14	-1.40
Sig	0.15	0.20	0.17	0.01	0.07	0.29	0.00	0.00	0.00	0.01	0.00	0.00
AudAdm	0.84	0.32	-0.30	-0.21	-0.34	-0.35	-0.36	-0.44	-0.31	-0.32	-0.18	-0.11
Sig	0.00	0.30	0.65	0.19	0.15	0.23	0.04	0.03	0.03	0.08	0.17	0.20
R	0.97	0.89	0.80	0.95	0.90	0.88	0.94	0.93	0.96	0.93	0.96	0.98
Sig	.000	.002	.021	.000	.002	.003	.000	.000	.000	.000	.000	.000

Table 35

*Beta Coefficients and Significance for Variables, Model Significance, and Multiple R for Effectiveness Measure Based on Audited Statement as Predictor of Percentage Growth*

Year	97	98	99	00	01	02	03	04	05	06	07	08
AudC&P	-1.45	1.02	-0.18	1.80	1.25	1.55	1.43	0.14	2.96	1.97	1.84	2.92
Sig	0.10	0.33	0.92	0.04	0.15	0.17	0.06	0.85	0.02	0.07	0.05	0.00
AudEd	0.55	-1.38	-0.16	-1.76	-1.10	-1.13	-1.03	0.17	-2.54	-1.77	-1.55	-2.58
Sig	0.41	0.11	0.89	0.03	0.14	0.20	0.14	0.82	0.02	0.07	0.07	0.01
AudAdm	1.21	0.32	0.20	-0.23	-0.46	-0.41	0.09	0.35	-0.78	-0.61	-0.29	-0.34
Sig	0.02	0.54	0.85	0.51	0.30	.044	0.78	0.37	0.03	0.13	0.39	0.17
R	0.70	0.61	0.20	0.66	0.51	0.48	0.68	0.61	0.72	0.59	0.61	0.79
Sig	.097	.226	.943	.144	.425	.477	.124	.224	.077	.262	.226	.026

Table 36

*Beta Coefficients and Significance for Variables, Model Significance, and Multiple R for Effectiveness Measure Based on Financial Activity Statement as Predictor of Numerical Growth*

Year	97	98	99	00	01	02	03	04	05	06	07	08
C&P	1.39	0.35	0.13	-0.40	1.37	1.86	1.91	1.75	1.38	1.43	1.22	1.57
Sig	0.00	0.36	0.88	0.12	0.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Evang	-.011	1.01	1.03	0.59	-0.40	-0.17	-0.18	0.01	-0.21	0.26	0.27	0.01
Sig	0.78	0.00	0.06	0.03	0.22	0.41	0.13	0.95	0.41	0.46	0.31	0.98
Ed	-0.09	-0.14	-0.02	-0.47	-0.66	-0.33	-0.42	-0.14	-0.17	-0.62	-0.55	-0.17
Sig	0.74	0.42	0.96	0.01	0.01	0.20	0.02	0.60	0.51	0.15	0.05	0.64
Adm	-0.35	-0.37	-0.33	1.08	0.35	-0.54	-0.56	-0.82	-0.17	-0.29	-0.11	-0.55
Sig	0.38	0.09	0.54	0.00	0.61	0.12	0.04	0.06	0.34	0.60	0.72	0.05
R	0.93	0.98	0.88	0.98	0.94	0.96	0.98	0.96	0.97	0.94	0.96	0.96
Sig	.001	.000	.011	.000	.001	.000	.000	.000	.000	.001	.000	.000

Table 37

*Beta Coefficients and Significance for Variables, Model Significance, and Multiple R for Effectiveness Measure Based on Financial Activity Statement as Predictor of Percentage Growth*

Year	97	98	99	00	01	02	03	04	05	06	07	08
C&P	0.15	-1.33	-0.66	-1.63	-0.07	1.16	1.59	1.02	0.93	-0.26	0.10	1.83
Sig	0.86	0.28	0.69	0.04	0.97	0.34	0.03	0.31	0.29	0.79	0.88	0.07
Evang	0.59	1.78	0.87	1.12	-0.35	-0.15	-0.49	-0.08	-0.34	0.84	0.66	0.66
Sig	0.54	0.06	0.36	0.13	0.66	0.80	0.23	0.91	0.70	0.35	0.35	.040
Ed	-0.62	-0.68	-0.15	-0.62	-0.67	-0.10	-1.17	-0.46	-0.73	-1.61	-1.43	-1.99
Sig	0.37	0.23	0.83	0.15	0.25	0.21	0.05	0.62	0.43	0.14	0.06	0.04
Adm	-0.16	0.27	-0.15	1.05	0.88	0.12	0.19	-0.51	0.24	0.10	0.88	-0.24
Sig	0.87	0.67	0.88	0.20	0.62	0.90	0.81	0.70	0.70	0.49	0.29	0.67
R	0.44	0.79	0.44	0.78	0.43	0.50	0.79	0.45	0.41	0.53	0.67	0.72
Sig	.755	.071	.745	.078	.769	.625	.071	.737	.806	.567	.249	.158



Table 38

*Beta Coefficients and Significance for Variables, Model Significance, and Multiple R for Effectiveness Measure Based on Tithe Ratio as Predictor of Numerical Growth*

Year	97	98	99	00	01	02	03	04	05	06	07	08
C&P/T	-0.02	0.45	0.15	0.01	-0.33	0.03	0.17	.020	-0.09	0.82	0.39	0.28
Sig	0.95	0.29	0.71	0.98	0.38	0.90	0.58	0.49	0.70	0.21	0.26	0.40
Ed/T	-0.24	0.04	-0.23	-0.12	-0.39	-0.20	-0.25	-0.01	-0.14	-0.06	0.07	0.18
Sig	0.56	0.90	0.53	0.71	0.26	0.50	0.43	0.98	0.58	0.90	0.81	0.57
Adm/T	-0.49	-0.69	-0.43	-0.57	-0.41	-0.62	-0.70	-0.64	-0.72	-1.05	-0.74	-0.73
Sig	0.16	0.07	0.21	0.09	0.21	0.05	0.06	0.04	0.02	0.04	0.05	0.03
R	0.49	0.56	0.47	0.57	0.58	0.59	0.58	0.63	0.72	0.63	0.60	0.65
Sig	.459	.314	.504	.295	.268	.254	.276	.194	.071	.192	.232	.159

Table 39

*Beta Coefficients and Significance for Variables, Model Significance, and Multiple R for Effectiveness Measure Based on Tithe Ratio as Predictor of Percentage Growth*

Year	97	98	99	00	01	02	03	04	05	06	07	08
C&P/T	0.05	0.26	0.41	-0.16	-0.23	-0.08	0.15	0.19	-0.06	0.58	-0.34	0.29
Sig	0.90	0.45	0.32	0.68	0.55	0.79	0.55	0.55	0.81	0.39	0.32	0.41
Ed/T	-0.41	-0.58	-0.08	-0.27	-0.58	-0.33	-0.71	-0.42	-0.69	-0.90	-0.39	-0.38
Sig	0.31	0.06	0.84	0.46	0.13	0.31	0.02	0.21	0.02	0.09	0.17	0.29
Adm/T	0.15	-0.08	-0.21	-0.09	-0.14	-0.47	-0.80	-0.22	-0.05	-0.15	-0.13	-0.10
Sig	0.65	0.77	0.53	0.80	0.68	0.16	0.01	0.47	0.84	0.74	0.68	0.76
R	0.52	0.73	0.43	0.28	0.50	0.49	0.77	0.52	0.68	0.59	0.63	0.59
Sig	.404	.070	.597	.857	.435	.469	.037	.405	.118	.263	.197	.261

Table 40

*Beta Coefficients and Significance for Variables, Model Significance, and Multiple R for Effectiveness Measure Based on Membership Growth Ratio as Predictor of Numerical Growth*

Year	97	98	99	00	01	02	03	04	05	06	07	08
C&P/NG	-0.29	-0.32	-0.29	0.02	-0.17	-0.03	-0.43	-0.21	-0.60	-0.11	-0.08	-0.27
Sig	0.35	0.48	0.40	0.95	0.71	0.94	0.53	0.56	0.04	0.72	0.84	0.39
Ed/NG	0.13	0.43	-0.15	0.08	0.07	-0.25	0.01	0.24	0.84	0.41	0.05	0.64
Sig	0.68	0.35	0.61	0.80	0.85	0.52	0.99	0.45	0.01	0.16	0.85	0.11
Adm/NG	-0.53	-0.62	-0.43	-0.59	-0.46	-0.49	-0.19	-0.60	-0.92	-0.88	-0.65	-0.10
Sig	0.10	0.09	0.17	0.10	0.25	0.29	0.76	0.80	0.00	0.01	0.09	0.02
R	0.63	.061	0.72	0.57	0.56	0.55	0.59	0.67	0.91	0.80	0.69	0.77
Sig	.191	.225	.075	.299	.306	.328	.264	.126	.001	.020	.106	.035

Table 41

*Beta Coefficients and Significance for Variables, Model Significance, and Multiple R for Effectiveness Measure Based on Membership Growth Ratio as Predictor of Percentage Growth*

Year	97	98	99	00	01	02	03	04	05	06	07	08
C&P/NG	-0.65	-0.54	-0.65	-0.56	-0.82	-0.60	-0.68	-0.79	-0.70	-0.52	-0.60	-0.68
Sig	0.00	0.03	0.03	0.02	0.00	0.01	0.06	0.00	0.01	0.04	0.03	0.00
Ed/NG	-0.47	-0.44	-0.05	-0.35	-0.09	-0.31	-0.29	-0.10	-0.12	-0.17	-0.25	-0.17
Sig	0.00	0.07	0.81	0.08	0.55	0.06	0.17	0.48	0.60	0.41	0.18	0.40
Adm/NG	0.02	0.00	-0.25	-0.22	-0.07	-0.28	-0.11	-0.16	-0.19	-0.34	-0.20	-0.17
Sig	0.90	0.98	0.29	0.31	0.66	0.14	0.71	0.26	0.26	0.10	0.36	0.40
R	0.95	0.92	0.85	0.86	0.93	0.95	0.92	0.95	0.93	0.90	0.90	0.94
Sig	.000	.000	.008	.006	.000	.000	.001	.000	.000	.001	.001	.000

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VITA

## VITA

**Throstur B. Thordarson**  
**58425 Kimberly Ct.**  
**South Bend, IN 46619**

### EDUCATION

- 2014 Ph.D. Leadership Studies, School of Education  
Andrews University, Berrien Springs, MI
- 2005 Post Graduate Studies, Krannert School of Management  
Purdue University, West Lafayette, IN
- 1995 M.B.A., Human Resource and Marketing, School of Business  
Kent State University, Kent, OH
- 1982 M.Div., Seventh-day Adventist Theological Seminary  
Andrews University, Berrien Springs, MI
- 1979 B.A., Theology  
Andrews University, Berrien Springs, MI
- 1977 Theological Studies  
Newbold College, Bracknell, Berks. England

### WORK EXPERIENCE

- 2000-Present Pastor, South Bend and Lafayette, Indiana Conference, IN
- 1996-2000 Pastor and Youth Director, Mt. View Conference, WV
- 1993-1995 Research Assistant, Kent State University, IN
- 1982-1993 Pastor, Departmental Director, Iceland Conference, Iceland

### PUBLICATIONS

- Alam, P., Booth, D., Lee, K., Thordarson, T. B. (2000). The use of fuzzy clustering algorithm and self-organizing neural networks for identifying potentially failing banks: An experimental study. *Expert Systems With Applications*, 18(3), 185-199.
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